A Special Report: Details of the AAFES Reorganization

Rear Admiral Rodney K. Squibb leads the Navy resale squad

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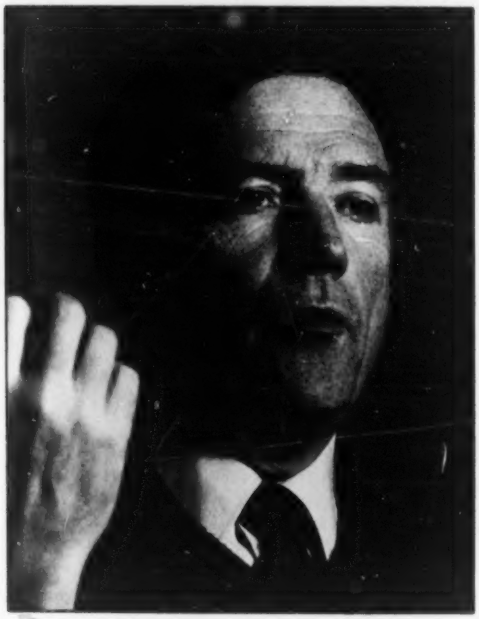

AAFES boss, Maj. Gen. Jeffery Kahla, USAF

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ADVERTISING SALES
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153 East 53rd Street
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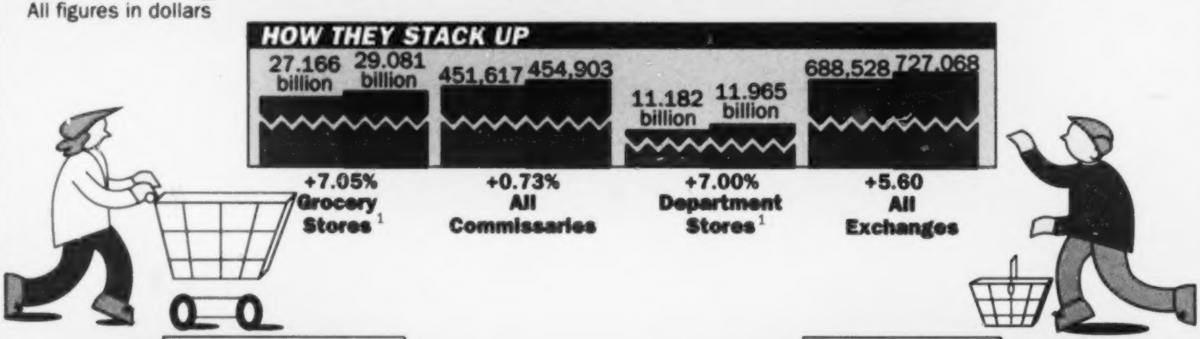

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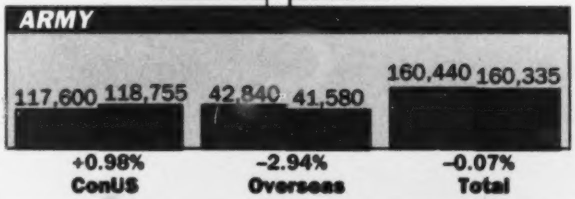

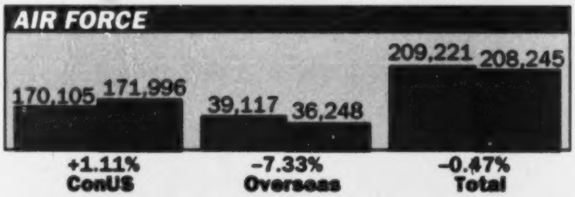

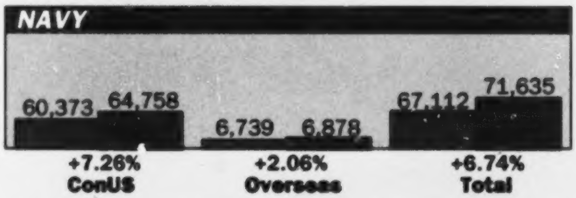

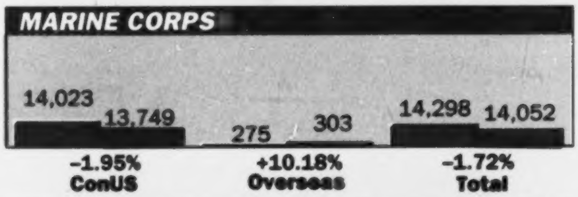

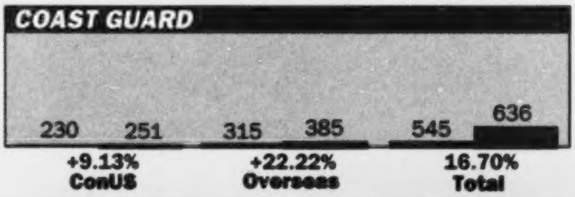

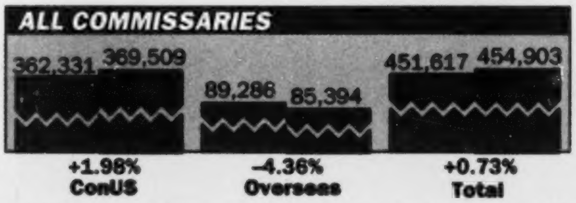

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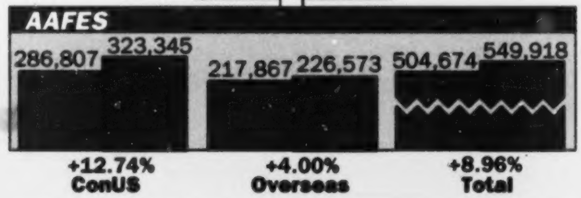
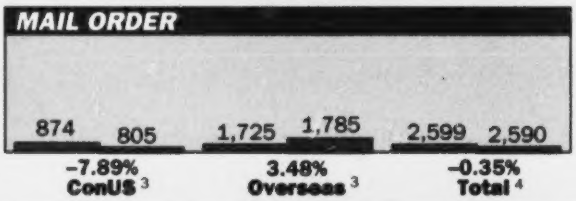
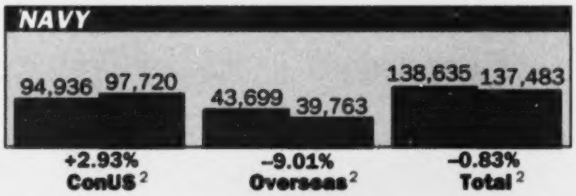
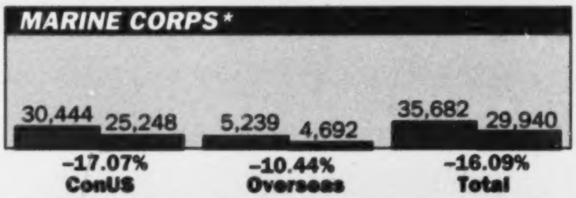
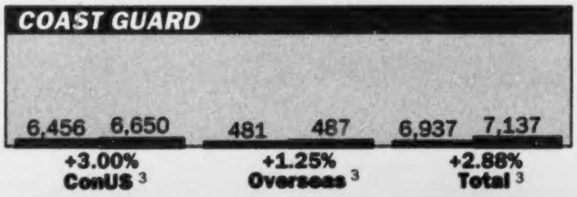
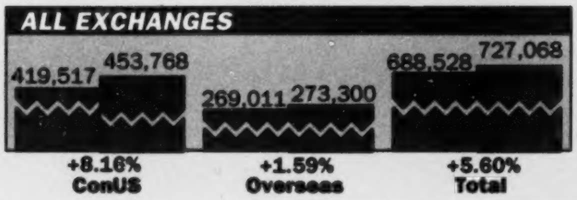












1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

THE AAFES REORGANIZATION

The new AAFES claims savings of $16 million

The AAFES reorganization — which the agency claims will save some $16 million a year in overhead expenses — will close the four existing ConUS exchange region offices and realign the regions themselves.

AAFES will set up a new office — the AAFES Operations Center or AOC — somewhere in the Dallas/Fort Worth metroplex. The AOC will be housed in a leased building, possibly in the planned community of Las Colinas, informed sources told **MILITARY MARKET**. The exchange service reportedly needs at least 150,000 square feet of office space for the new facility.

Las Colinas is about 25 miles northwest of the AAFES headquarters building in south Dallas and about six miles east of the Dallas/Fort Worth airport.

Organizationally, the AOC will consist of four sectors — western, central, eastern, and southern. These sectors will replace the old regional structure, though geographic boundaries have not yet been established.

Each sector will be headed by a "sector director," the equivalent of a current region chief.

A sector director will have a small support staff of about 11 people — including secretaries, administrative assistants and professional staff to oversee retail, food, services, finance and accounting and engineering functions.

The four sectors together will be supported by a new, centralized Operations Support Center (OSC) of around 500 people.

The new central operation will employ approximately 550 people, including the four sector groups and the OSC employees.

Though it became effective on Oct. 4, the restructuring plan will take nearly two years to complete. The Golden Gate and Southeast region offices are scheduled to close in August of next year, followed by the Alamo office in January 1991 and the Capital office in July 1991. *[EDITOR'S NOTE: See chart.]*

Shutting the four region offices will affect 810 people, but save $15.6 million in annual overhead operating expenses, AAFES claims. There will be savings of $5.6 million from personnel cuts; $2.8 million in PCS (permanent change of station moves); $3.5 million in special programs, including training and recruiting, labor relations management, and TDY (temporary duty assignments), and $3.8 million in "other" expenses like duplicate staffs, expendable supplies, utilities and maintenance.

Of the 810 people affected by the region closings, 227 are UA (management) positions, and 583 are HPP (blue collar and support) positions.

In all, the agency expects to relocate 630 region-level employees — 550 of them to the AOC. Others will go to positions elsewhere in the system. About 20 will be assigned to area exchanges in ConUS, and around 60 will join the agency's headquarters staff in Dallas. *[EDITOR'S NOTE: See chart.]*

Of the remaining 180 employees affected by the reorganization, some are expected to retire and others will resign, said Col. Carol Habgood, the agency's public affairs chief.

"Some employees will choose to leave," she said. "We do have turnover," which varies by region, she said. For instance, since January 1989, turnover in the Capital Exchange Region has averaged 45.1 percent for all workers, but in the Southeast Exchange Region turnover is less than half that — only 21.7 percent in the same period. Overall, AAFES' ConUS turnover has averaged 27.2 percent in the nine months since January 1989.

Employees who want to leave the agency will be referred to government and civilian sources to help them find new jobs. Out-placement and resume-writing counseling will be provided on request.

The new Dallas/Fort Worth centralized operation is expected to generate an annual payroll of about $20.9 million.

A $4-million, one-time reorganization cost will cover the lease for the new operations center and employee moving expenses, Habgood said.

Affected locations/scheduled actions —

Facility	Location	Action	NLT Date*
AAFES Operations Center	Dallas/Ft. Worth	Establish	Aug. 90
ConUS Operations Sectors	Dallas/Ft. Worth	Establish	Aug. 90
Present ConUS regions		Disestablish	Aug. 90
Golden Gate office	San Francisco	Project closure	Aug. 90
Southeast office	Montgomery	Project closure	Aug. 90
Alamo office	San Antonio	Project closure	Jan. 91
Capital office	Charlestown	Project closure	Jul. 91

* Action should be accomplished not later than date indicated.

Congress takes AAFES change in stride

Members of Congress in whose districts reside the current AAFES region offices have expressed their disappointment with the job losses which will be caused by the closures.

■ Alamo Exchange Region, San Antonio, Texas — "The rights of these workers must be protected," said Rep. Albert Bustamante, D-Texas, in a press release. "I am glad to see that AAFES has a plan in place to do just that." Bustamante was scheduled to meet with Maj. Gen. Jeffery Kahla, AAFES commander, on Oct. 6 to discuss the matter.

■ Capital Exchange Region, Charlestown, Ind. — "I'm very disappointed at the loss of so many jobs at Charlestown," said Rep. Lee Hamilton, D-Ind. The Charlestown office is located at the Indiana Army Ammunition Plant. That installation already was slated for partial closure under the Base Realignment and Closure Act, but no date was set.

■ Golden Gate Exchange Region, San Francisco, Calif. — "The closure is a matter of great concern to affected AAFES employees and to me," said Rep. Nancy Pelosi, D-Calif., in a letter to Kahla obtained by **MILITARY MARKET**.

■ Southeast Exchange Region, Montgomery, Ala. — "I'm concerned since nothing could be done to prevent this," said Rep. William Dickinson, R-Ala. "I'm upset over the potential loss of 180 jobs, but we understand employees will be offered other jobs."

AAFES owns its regional buildings in San Francisco and San Antonio, and it leases the one in Montgomery.

Impact of the action —

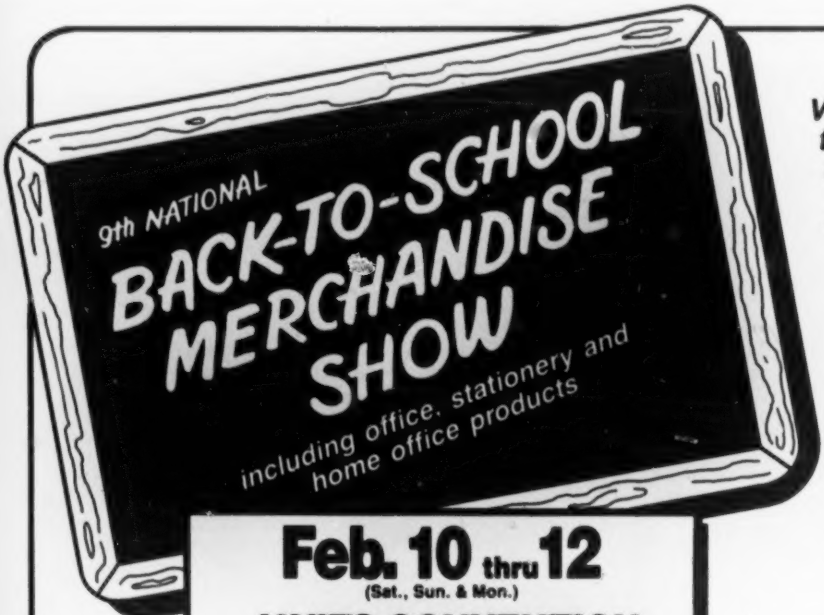
CURRENT STRENGTH

	GGER	*ALER*	*CPER*	*SEER*	*Region Totals*	*Adds to HQ, AXs & AOC*	*Net Savings*
UA[1] jobs	50	58	65	54	227	144	83
HPP[2] jobs	144	148	148	140	583	486	97
Total	197	206	213	194	810	630	180

PROJECTED DISPOSITION

	GGER	*ALER*	*CPER*	*SEER*	*Region Totals*
Relocations	162	163	164	141	630
Local exchange jobs	21	34	22	28	105
Retirements	5	7	8	9	29
Normal attrition	4	3	11	8	26
RIFs	3	1	8	8	20
Total	195	208	213	194	810

[1] Universal Annual wage schedule: salaried employees equivalent to Civil Service General Schedule.
[2] Hourly Pay Period employees: clerical, administrative, blue collar and other support personnel.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THE AAFES REORGANIZATION

Questions abound about the new AAFES structure

Besides saving $16 million, what are the main advantages of reorganizing?

"We anticipate operational improvements by consolidating the sectors in the Dallas area. For example, it'll be easier for the region chiefs to work with the AAFES headquarters staff and its executive management team, because they'll be located in Dallas. They can also get the early word on our customer service programs, so they can give them to their exchanges more quickly," says Col. Carol Habgood, AAFES public affairs chief.

Will the $16-million savings enable the agency to reduce prices?

"The savings will be passed on to customers by means of MWR [morale, welfare and recreation] dividends and improvements to the capital program," says Habgood. But prices are not expected to change as a result of the reorganization.

Will AAFES replace regional oversight with computers?

Not really. Although the agency will have its multi-million dollar Visions automation project in place by 1992 — which will allow direct communication from the stores to headquarters — the new operations center is not intended to manage stores electronically, according to Air Force Maj. James Heaberg, AAFES spokesman. "The reorganization will not affect ASAP [the AAFES Store Automation Project] or IGLAS [the Integrated General Ledger Accounting System]," which are the two main parts of the automation project.

What will happen to the region chiefs?

The four region chief positions will convert into sector directors, operating out of the new operations support center. However, "The new sector directors will not necessarily be the same region chiefs we have now," says public affairs chief Carol Habgood.

Each sector director will have a support staff of about 11 people. These will include executive-level professionals, administrative assistants, secretaries, and professional staffers for retail, food, services, finance and accounting, and engineering.

COAST GUARD

Hugo batters CG exchanges

Hurricane Hugo slammed into Coast Guard exchanges in San Juan, Puerto Rico, and Charleston, S.C.

The two buildings sustained about $200,000 in damages. Each exchange lost about $50,000 in inventory, said Cmdr. Roy Cook, assistant chief of the Coast Guard's exchange and morale division.

The exchanges reopened partially three days after Hugo hit; they are to be operating fully by late November.

How much customers save by shopping in commissaries*

Category	*Air Force*	*Army*	*Marines*	*Navy*	*DoD Average*
Dairy	23.6%	22.6%	24.3%	27.0%	24.3%
Grocery/Food	21.5	19.8	23.4	24.0	21.8
Grocery/Non-Food	30.1	31.1	28.7	30.9	30.5
H&BA	28.1	26.3	35.3	31.6	28.9
Meat	28.1	29.1	22.8	27.5	27.9
Produce	32.5	33.1	31.5	30.2	32.0
Subtotal	**24.6**	**23.7**	**26.6**	**26.8**	**25.0**
Tobacco	35.1	32.4	N/A[1]	35.2[2]	33.9
Total	**26.0**	**25.2**	**26.6**	**27.3**	**26.1%**

Chart compares category market baskets of commissary products (including surcharge) with market baskets of supermarket items (including state or local taxes, wherever applicable). Survey was conducted at 29 ConUS commissaries and 12 overseas commissaries. In most cases, three supermarkets were surveyed near each installation. Comparisons were done during the first quarter of calendar year 1989.

[1] Tobacco is not stocked in Marine Corps commissaries.

[2] Two stores only — NWS Charleston, S.C., and NB Pearl Harbor, Hawaii.

SOURCE: 1989 DoD Joint Services Triennial Commissary Pricing Survey, as conducted by Competitive Commodities and Services.

More Navy buyers due at workshop

The Navy will send more exchange buyers and fewer financial and administrative people to next year's Military Exchange Services Professional Development Workshop.

Exhibitors at the 1988 MESPDW griped that the Navy Resale and Services Support Office sent only a handful of supervisory buyers to the event.

"We sent about all the people we could afford, from a macro view [to the 1988 PDW]," said Rear Adm. Rodney Squibb, the agency's commander, in a recent interview with MILITARY MARKET. "The intent of [the workshop] was not to be making purchases on the scene, anyway," he said.

Navy buyers who attended last year's show did not write purchase orders at the event. However, they *did* buy show products a few weeks later, Squibb said.

Squibb said that last year's workshop was worthwhile and that Navy delegates made good personal contacts, while picking up merchandising ideas and product information.

Although exhibitors would like exchange service attendees to be able to write purchase orders at the biennial event, Squibb said he thinks that would be "the wrong thing to ever do," since ethical restrictions for government personnel are getting stricter.

The next MESPDW will be held at the Dallas Convention Center, August 12–17, 1990.

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ALA in San Diego— The Gathering of the Tribe

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Cartoon raconteur Roscoe P. Nubbins, lively NAVRESSO aide-de-camp, surrounded by ALA convention life.

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COVER PHOTOS BY RICH MASON; DESIGN BY CRISTINA RIVERO

On the cover — The San Diego Marriott Hotel & Marina, site of 42nd annual ALA convention, where featured speakers included U.S. Rep. Marvin Leath, D-Texas (top) and Williston B. Cofer, Jr., staff member on the House Armed Services Committee.

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EDITORIAL OFFICES
6883 Commercial Drive, Springfield, VA 22159-0210; (703) 750-8676 or (800) 424-9335; Fax (703) 750-8622
ADVERTISING SALES OFFICES
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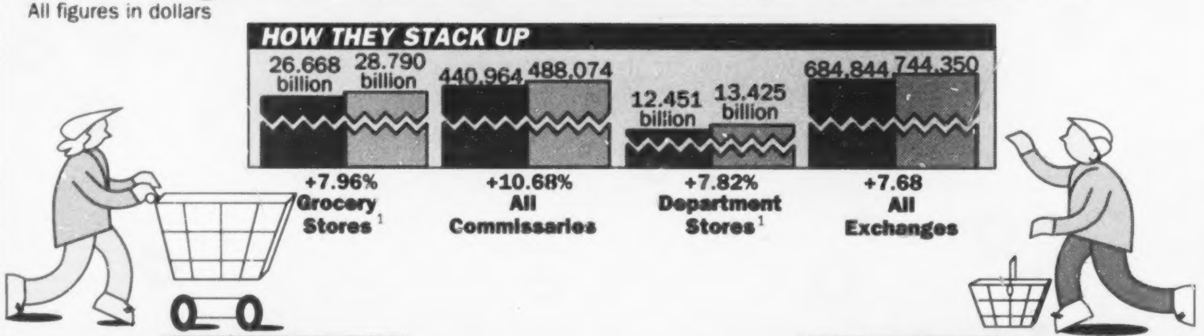

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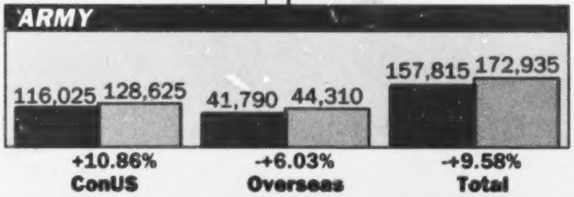

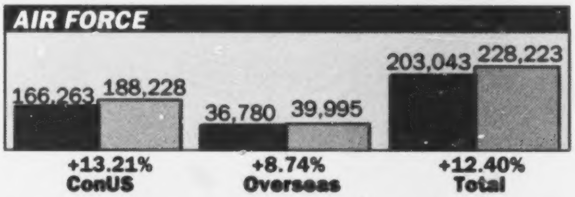

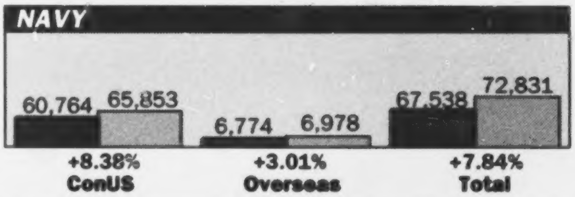

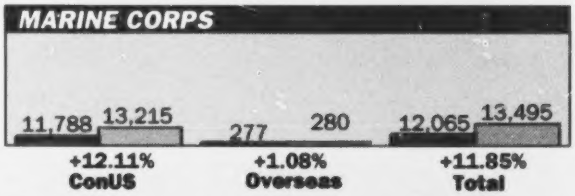

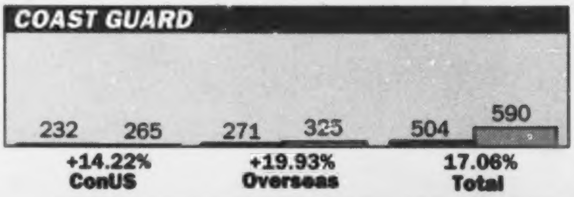

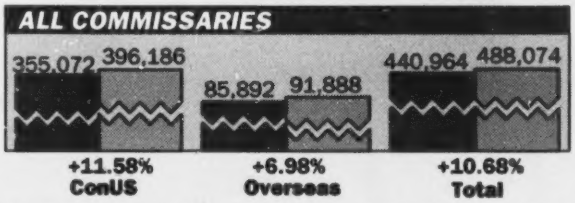

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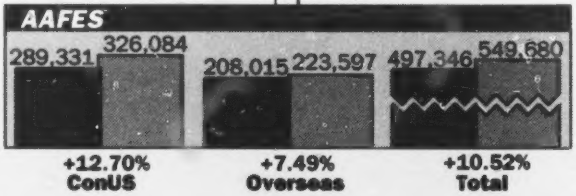

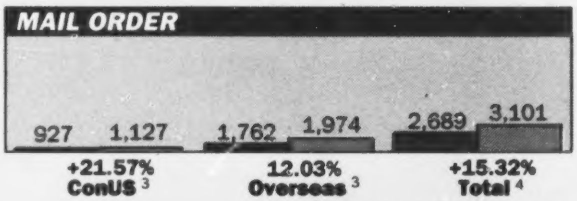

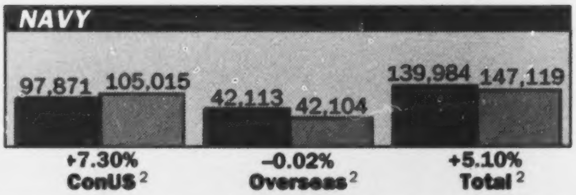

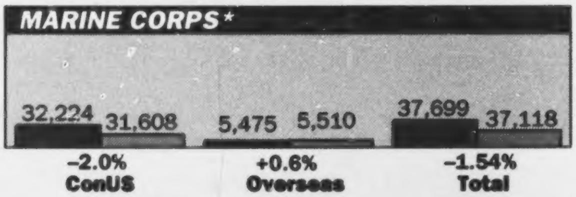

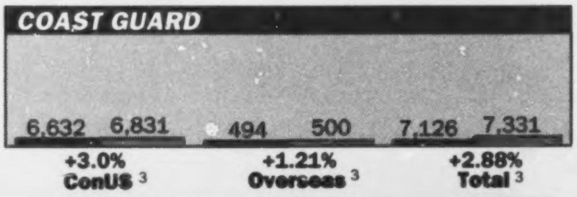

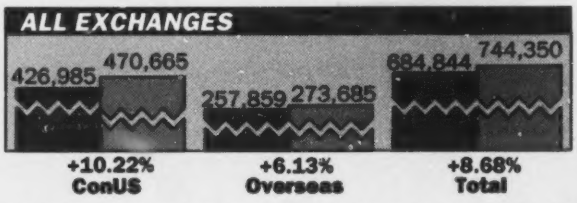

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*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

Cats over Dogs

Pet Food Sales Leap-frog

MARKET REPORT by Marie Ferrey, Associate Editor

Tired of dog days in the canine meal market, pet food manufacturers are now trying to please feline appetites. Companies recognized for their dog food products — including Alpo, Carnation, Heinz, and Purina — are clawing their way into the cat food business.

And with good reason . . . While the dog population has remained flat in the past decade (at about 50 million), the cat population keeps growing. According to Alpo marketing executives, last year there were more than 57.3 million cats and 27.5 million cat-owning households in the country. In four years, the number of cats is expected to leap to 63.8 million, and there will be more than 30 million homes where cats live.

DOGS vs CATS

	1980	1986	1987	1988
Dog households	40.0%	38.7%	37.2%	37.0%
Cat households	24.1%	29.4%	30.0%	30.0%
Dogs (millions)	46.1	51.6	49.4	49.9
Cats (millions)	36.8	56.2	57.8	57.3

Source: 1988 Maxwell Report

Aside from the appeal of their self-sufficient character, the increasing popularity of cats is attributed to various factors, among them the rise in two-income families, the increase in urban populations, and the growing number of renters versus home owners. With low maintenance needs, cats are perfect pets for busy households.

Overall, the pet food industry grew modestly in 1988, up 3 percent to about $5.9 billion. Cat food led market growth, jumping 3.8 percent, while dog food tagged along with a 2.45 percent increase.

In commissaries, the overall pet food category grew 1.1 percent, to $87.7 million, in a 12-month period ending in August 1989, according to Military Audits of Market Information.

Reversing civilian trends, cat food sales went up just 0.5 percent during the same period, topping $33 million. Dog food sales climbed 1.5 percent, to about $54 million. A MAMI executive says the market research organization doesn't know why the military trend is opposite the civilian. They "have no clue," said Leland Maines, MAMI's executive vice president.

MAMI data shows that dry cat food sold better than wet or semi-moist varieties, increasing 4.1 percent to $12.3 million. Semi-moist dropped 9.2 percent to $3.23 million, while wet types decreased 0.14 percent to $18.2 million.

The best-selling cat foods in commissaries, based on 12-month sales ending in June 1989, are Purina Cat Chow, regular flavor (top sales in the dry category); Purina Happy Cat, regular flavor (best in the semi-moist category); and Carnation's Buffet, turkey & gibblets flavor (best in the wet category), according to MAMI.

Dogs in military families, like cats, seem to prefer dry food. Dry dog food sales grew 5.1 percent to $31.9 million, according to MAMI. Wet sales increased a modest 0.35 percent to $18.4 million, while semi-moist dropped 17.9 percent to $3.6 million.

In the dog food category, the best selling brands in commissaries, ranked for the year ending in June 1989, were: Purina Moist & Meaty, burger & cheese flavor (best-selling semi-moist); Pet Alpo, beef chunks flavor (best-selling wet); and Purina Puppy Chow, regular flavor (best-selling dry), MAMI reports.

Though civilian and military pet food sales were virtually flat last year, in both the civilian sector and in the military, premium pet foods have flourished. Civilian sales of canned ultra-gourmet cat food rose 16.8 percent, to about $283 million for the year ending in January 1989, according to Arbitron/SAMI, a marketing research division of Control Data Corp.

WET vs DRY

	DOGS		CATS	
	Millions	Percent	Millions	Percent
Dry food	$2,041	35%	$792	13%
Treats	430	7%	20	1%
Canned	920	16%	1,261	21%
Moist	192	3%	217	4%
TOTALS	$3,583	100%	$2,290	100%

Source: Alpo Pet Foods

Gourmet pet food sales are also booming in commissaries. Gourmet cat food products, including Sheba, Amore, Fancy Feast, and Fresh Catch, grew 8.9 percent in dollars for the year ending in August 1989. Gourmet dog food sales, including brands such as Grand Gourmet, King Kuts, Pedigree, and Mighty Dog, jumped 6.2 percent during the same period, MAMI data shows.

Other foods showing great growth potential are dog and cat treats, industry analysts say. In 1988, dog treats gained 8.4 percent in sales, to $430 million, on about a 5 percent increase in unit volume. The growth is expected to continue.

Although still a relatively small segment of the market, cat treats grew 18.8 percent in 1988 to $29.6 million, according to SAMI/Burke data. The market, which has been dominated for some time by Quaker Oats' Pounce and E-II Holdings' Bonkers, has witnessed new introductions, including Heinz's Finicky Bitsand Purina's Whisker Lickin's, both launched in 1988.

Industry analysts say pet snacks sell well because people like to "humanize" their animals. Snacks also make owners feel less guilty when they don't spend much time with their animals, a factor when pets are left alone at home due to busy work and social lives.

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Buyer's Guide Issue

Military Market

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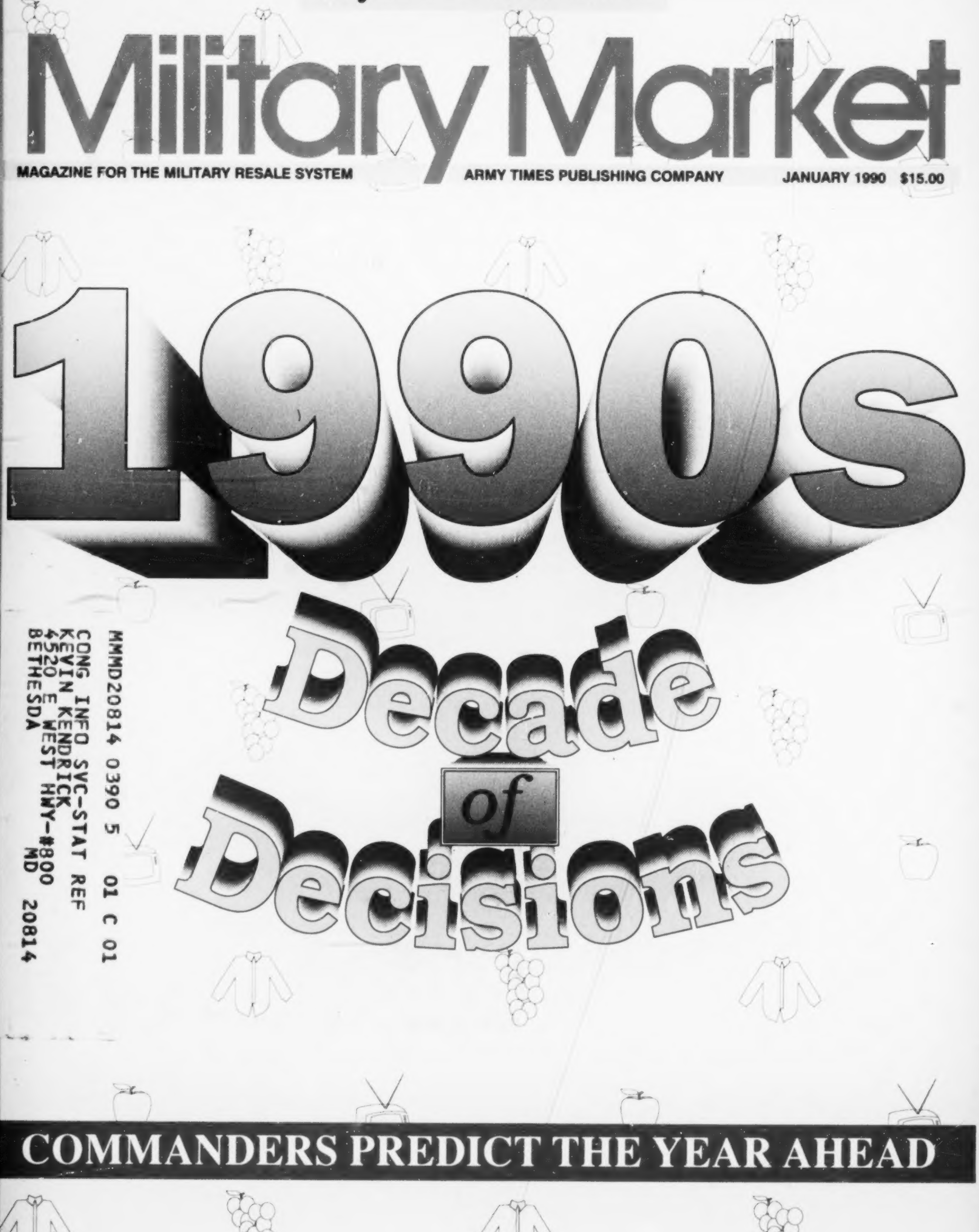

1990s

Decade of Decisions

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COMMANDERS PREDICT THE YEAR AHEAD

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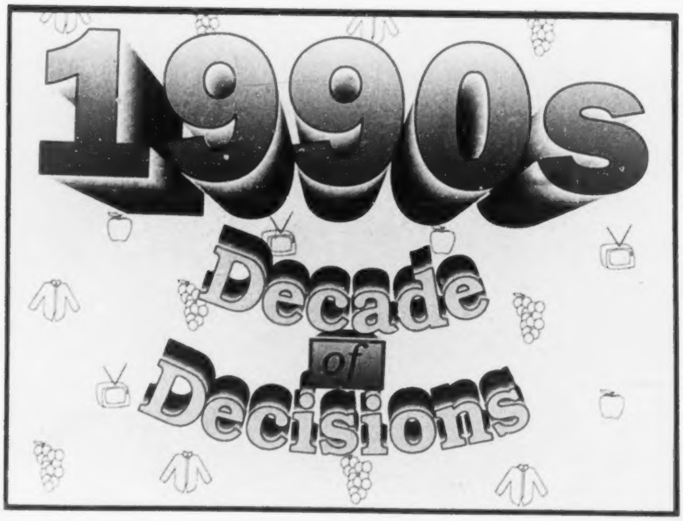

JANUARY 1990 VOL. 41, NO. 1

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☐ Commissary systems review Jones Commission's report. ☐ Leath will not seek reelection. ☐ FDS changes foreseen. ☐ In just three months, AFCOMS European reorganization appears right on course. ☐ Sun states continue to draw rising tide of military retirees. ☐ GAO disputes findings of base-closing commission. ☐ Commissary Privilege Cards now required of Reservists and National Guard. ☐ Christmas sales mixed. 6

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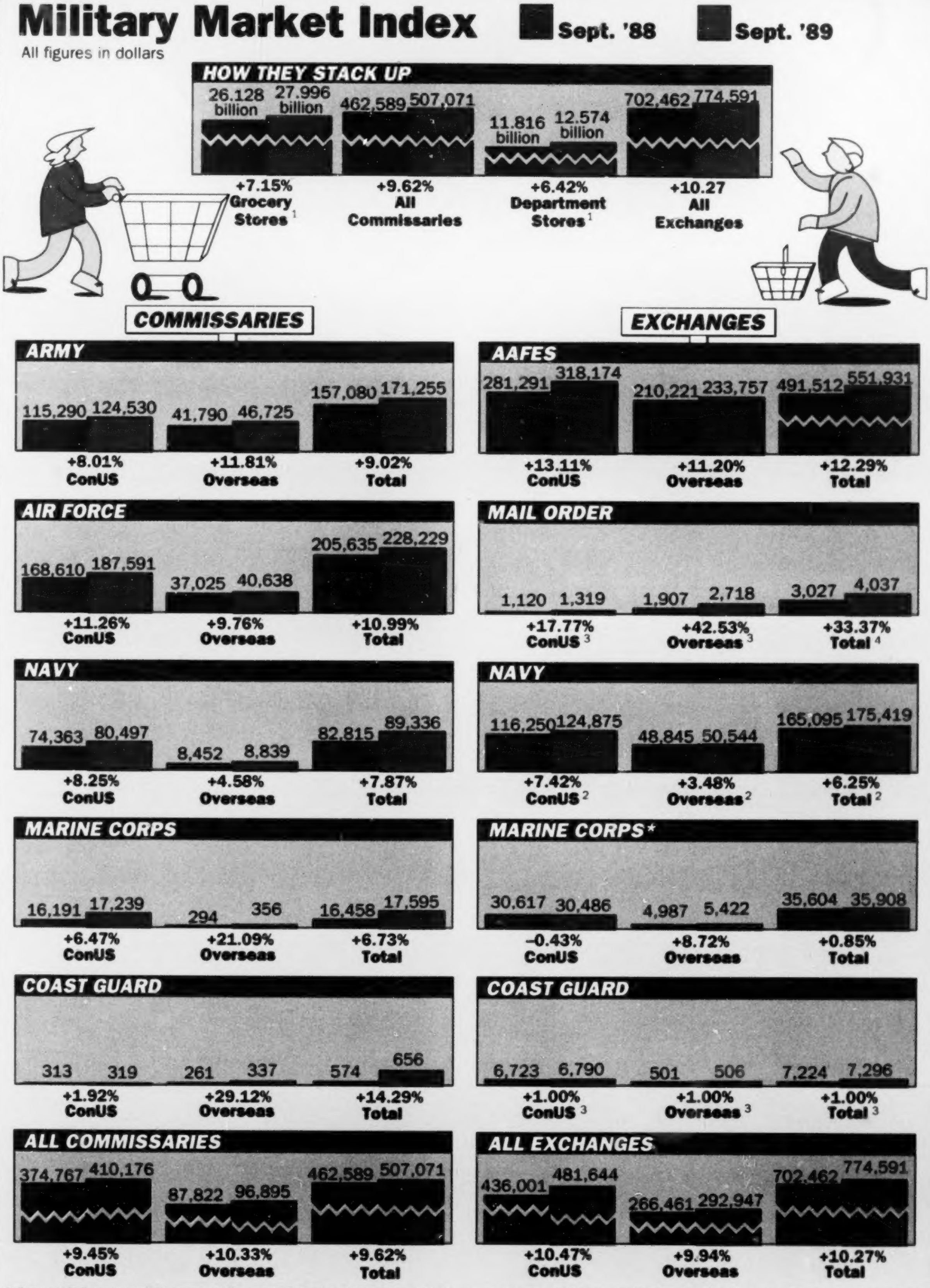
All figures in dollars



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Marty Baumann

BASE CLOSINGS

Checks and doublechecks:

GAO at odds with commission

California Dreamin'

The Government Accounting Office dispute with a Congressional commission's figures for cost/savings in the closing of military bases are exemplified by the following figures for California installations.

	Estimated Money Saved	
Site	Congress	GAO
George AFB	*$70 million*	*$50 million*
Mather AFB	*$79 million*	*$61 million*
Norton AFB	*$68 million*	*$58 million*
Hunters Point NB	*$ 8 million*	*$7.5 million*

The estimate of $694 million in annual savings to be gained by closing 86 military bases and partially closing five others is exaggerated, but the decision to close the facilities is sound, congressional auditors have concluded.

A more accurate figure would be a saving of about $453 million a year, according to the General Accounting Office. But the lower figure is "still a substantial saving" and the decision to close the bases is "still sound and logical," the GAO reported to Congress Nov. 29.

The GAO estimates that savings will probably be no more than $44 million a year, and said it will take at least four years to earn back the cost of transferring active-duty training to other bases.

Another controversial recommendation by the closing commission was to shut down the 6th Army's headquarters on San Francisco's Presidio. Closure was expected to save $74 million a year.

The GAO said savings would not be nearly that high. At best, closing the base would save $47 million a year, GAO auditors said. At worst, closing the base might cost $6.3 million a year.

The commission assumed that the Presidio property could be sold for $555 million. However, by law the Presidio can't be sold. If the Army abandons the property, it must be turned over to the National Park Service to be included in Golden Gate National Recreation Area. The Park Service estimated it would cost almost $14 million to incorporate the Army base into the recreation area.

Closing the base's Letterman Hospital could increase government medical expenses through CHAMPUS insurance and Medicare by $30 million a year, the GAO said.

The GAO also disagreed with the base closing commission's findings on the Army's Jefferson Proving Ground in Indiana. While GAO and commission estimates of annual savings were similar — about $6.5 million — the commission said the cost of closing the base could be recovered in six years. The GAO said it might take more than two centuries.

More than 30 million rounds of munitions have been fired at the proving ground since 1941, including more than 7 million rounds of high explosives. It could cost up to $653 million to sweep the base clean of unexploded ordnance, the GAO said.

GAO estimates of savings from closing a number of Air Force bases were also lower than those made by the base closing commission.

Shutting down Chanute Air Force Base in Illinois, for example, would save $69 million a year, the commission said. The GAO said savings would be more like $55 million a year. And the savings from closing George Air Force Base in California would be closer to $50 million a year than $70 million a year, the GAO said. Closing Mather Air Force Base in California would save $61 million a year, not $79 million, and closing Norton Air Force Base, California, which is plagued by air traffic congestion and outdated facilities, would save $58 million annually, not $68 million, the GAO said.

GAO auditors said that the Defense Department could save $7.5 million a year (not $8 million) by abandoning plans to enlarge the Navy base at Hunters Point, San Francisco, to accommodate a battleship, four cruisers, two destroyers and two frigates. The base closing commission said the ships should be sent to Pearl Harbor, San Diego and Long Beach instead.

It is expected to cost $85 million to build piers and shore facilities at the three bases to accommodate the ships, but it would have cost $85 million to enlarge Hunters Point for them.

Expanding the base at Hunters Point was part of Strategic Homeporting, a plan the Navy has fought hard to protect from changes. But since local opposition to homeporting a battleship in San Francisco had already virtually killed the idea, the Navy didn't object to the base closing commission's proposal to move the ships elsewhere.

Closing update

The base closing commission assumed that the Presidio property could be sold, but laws prevent its sale. Therefore, a provision in the 1990 Appropriations bill will transfer the scenic Army installation, which overlooks the Golden Gate Bridge, to the Interior Department which, in turn, will lease it back to the Army.

The move has saved the post's new commissary, which opened Oct. 10.

Replacing a 71-year-old converted horse stable, the new $13 million store has 93,240 square feet of space.

It includes a 32,682 square-foot sales area and a 23,295 square-foot warehouse. The Troop Support Agency implemented an energy-efficient design, where air from the refrigeration compressors and display cases is recycled to provide heat and air conditioning.

The new commissary will stock 8,500 line items and will average 34,000 transactions per month. It has 17 checkouts, a deli, bakery and fresh fish market.

In other TSA news, the branch commissary at Fort Sam Houston, Texas, was shut down on Sept. 26 after 46 years of operation. A TSA analysis determined that the closure will save about $200,000 in stock fund reductions, maintenance and utilities, while customers will be better-served at the main commissary.

Closing the branch store enables the agency to extend hours at the Fort Sam Houston main store. It now will operate 78 hours per week, seven days, with an evening-hours "mini-mart" six days a week. Before the branch closure, the main store operated on a 53-hour week.

The branch store had monthly sales of $377,381. It had an average of 14,516 customers a month.

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He's 'Fluffing the Lettuce' at TSA

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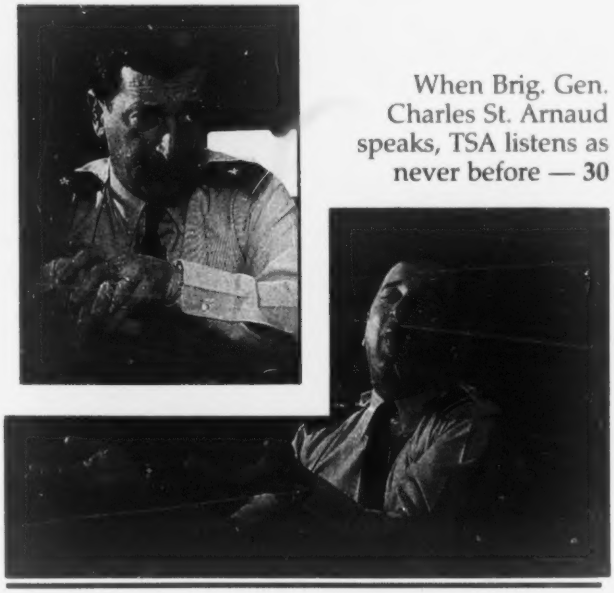
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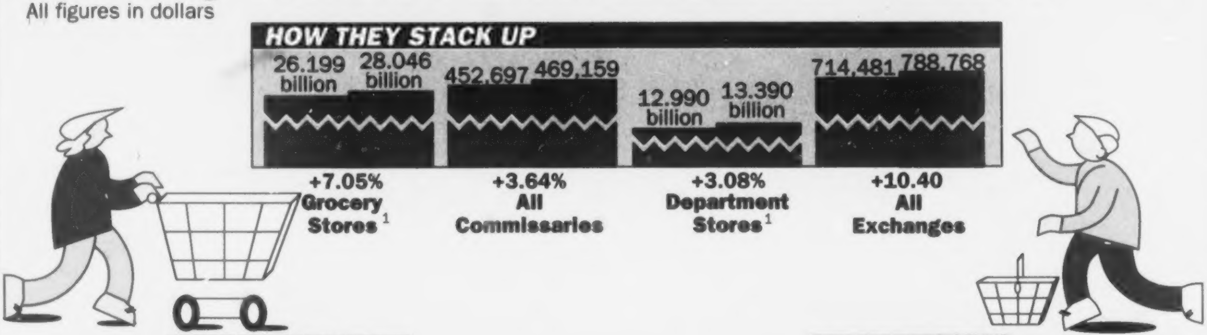
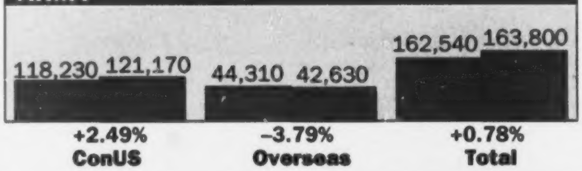


COMMISSARIES

ARMY



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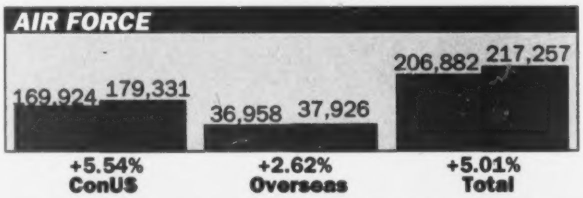

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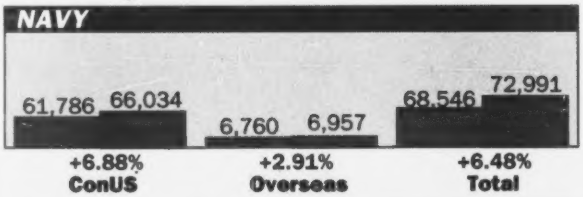
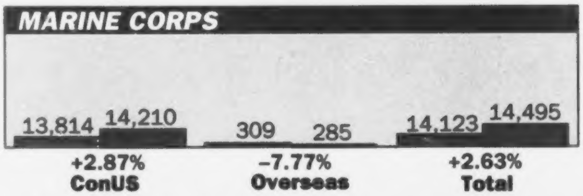


MARINE CORPS



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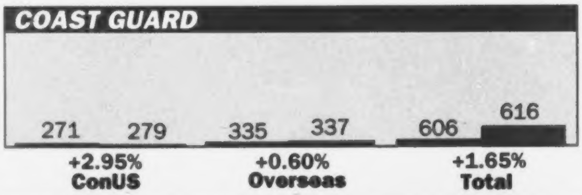

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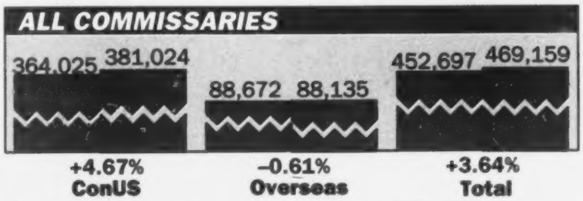

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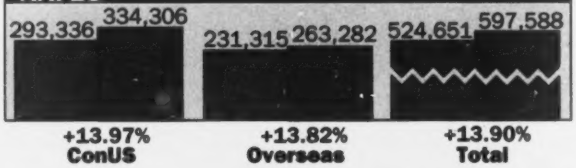

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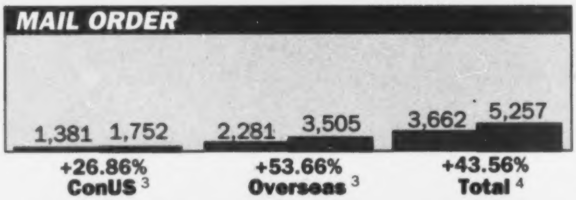

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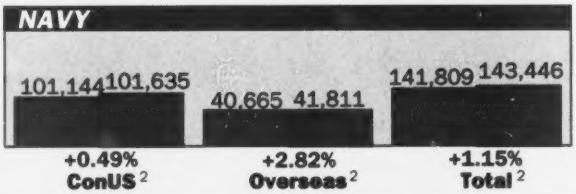

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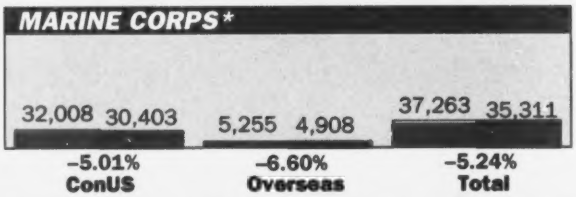

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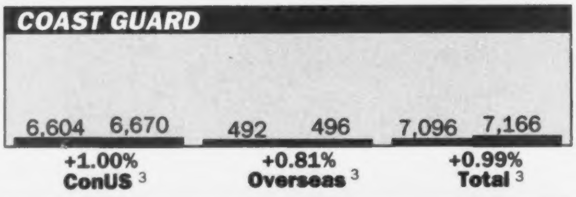

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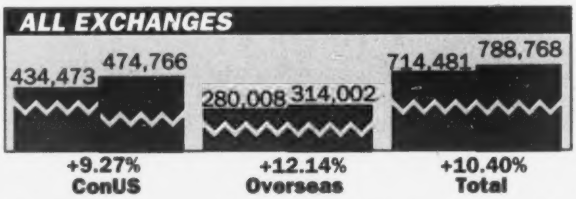

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Marty Baumann

CREDIT CARDS

Affinity card revenues continue to rise

1989 Affinity Credit Card Program Revenues

	Sept.	*Oct.*	*Nov.*	*Total*
NAVRESSO	$3,094.00	$12,671.00	$15,971.00	$31,736.00
MARINES	946.00	7,272.00	7,819.00	16,037.00
C. GUARD	934.00	2,287.00	2,369.00	5,600.00
	$4,974.00	$22,230.00	$26,159.00	$53,373.00

Since June 1989, AAFES has received $117,718 in fees for new accounts from its affinity credit card program. And the sea-service credit card program for the Navy, Marine Corps, and Coast Guard generated almost $55,000 in revenues for the three services' MWR programs since it began in September 1989.

Under the contract with Dallas-based First USA Bank (formerly called Lomas Bank USA), each agency receives $6 for every credit card approved for enlisted service members, and $10 per card approved officer card. In addition, the services get $4 each time the cards are renewed.

The Navy Resale and Services Support Office generated $31,736 from September through November 1989 — the first three months of the program. The Marines received $16,037 and the Coast Guard $5,600 during the same three months.

All profits generated through this program go towards morale, welfare, and recreation activities of each service. "We believe the program will continue to grow, which will help out all the MWR activities," said Paul Feuer, NAVRESSO's contracts group deputy commander.

In December 1988, the Navy awarded a three-year contract to First USA for the NAVRESSO affinity card program. The MasterCard and Visa program is modeled after a similar one run by AAFES.

The Navy contract offers the same credit card services to the Marine Corps and the Coast Guard, which have piggybacked onto NAVRESSO's contract, negotiated with the same terms as the AAFES contract.

To qualify for the card, active duty military personnel must have a monthly household gross income of $1,200 if living off base, or $850 if living in government quarters.

The program's objective is to help service members, especially lower graded enlisted personnel ranked E-1 to E-4, establish a line of credit, said Lee Phillips, assistant head of the Marine Corps' Retail Operations Branch. "The primary thing," he said, "is that it's going to build a credit history for young enlisteds."

The program also features a monthly rate of 16.9 percent, travel and accident insurance for up to $250,000, emergency cash, an airline ticket credit line, checks at no cost, car rental discounts, and a toll-free travel message service.

OVERSEAS

DPSC plans July beef shipments

DPSC is proceeding with plans to procure U.S. beef for commissaries in Europe, with a target date of the end of July for the first shipments. The agency released a request for information on Dec. 22, outlining its intention to buy about 31 million pounds of chilled boxed beef.

A Defense Personnel Support Center press release explained that commercial buying practices will be used, and contractors will be selected using the "Best Value" techniques.

A presolicitation conference Jan. 17 at DPSC drew representatives from about 15 companies. "We were pleased with the turnout," said Navy Capt. Ned Kuhns, commander of subsistence field activities and director of subsistence. "We had both small and large businesses represented."

Kuhns said that questions from the companies centered around such areas as the technical approach, transportation, quality considerations, corporate experience requirements and in-theater management capabilities. DPSC will take the questions and suggestions given at the meeting and use them in developing a request for proposal (RFP). Bids will be due 30 days after the RFP is released.

The initial order ship time will require 45 days, Kuhns said. After that, orders will be taken in 30-day cycles, divided into 4-week increments. The commissaries will submit an order for one month's time every 30 days. Refrigerated container deliveries will be made once a week. These will be sourceloaded, multi-stop deliveries.

The U.S. beef delivery applies only to Central Europe and the United Kingdom, and was mandated by Congress.

REORGANIZATION

AAFES heads still without a roof

At press time, the Army and Air Force Exchange Service still had not found a building to house offices for its four region directors and their staffs.

Despite numerous rumors about the location of the building, the agency is still negotiating with several commercial realtors in Dallas. The new AAFES Operations Center, or AOC, will be located somewhere in the Dallas/Fort Worth metroplex.

The AOC will be housed in a leased building, possibly in the Farmer's Branch area, informed sources told MILITARY MARKET. The exchange service reportedly needs at least 150,000 square feet of office space for the new facility.

Farmer's Branch is about 30 miles north of AAFES' South Dallas headquarters.

Frozen food challenge

Shelf Space *vs* Products, Demand

MARKET REPORT by Karen McBeth, Associate Editor

The yearly blizzard of frozen food introductions may be freezing the market. Neither cooler space nor customer demand can keep up with the proliferation.

And the problem is worse in the military.

Civilian retail frozen sales in 1989 are expected to increase about 5 percent — respectable, but not earth-shattering. Military shoppers bought about $350 million worth of frozens in U.S. commissaries for the 12 months ending in September 1989, according to Military Audits of Market Information data. Commissary sales of frozens are up less than 5 percent.

Each year, manufacturers parade more than 1,000 new frozens before retailers; in 1988, *Grocery Marketing* magazine counted 1,114 introductions. The president of Winn Dixie stores, quoted in *The Frozen Food Executive*, said the annual total is more than most grocery chains now stock. Stores place too many items in their cases and find they cannot "do justice to the volume of merchandise."

Retailers have increased the amount of space devoted to frozens by 20 percent during the past five years, according to *Progressive Grocer*. And commissaries are doing what they can to add volume: AFCOMS reports its new stores have about 50 percent more frozen space. But in older stores, "We're pretty much capped out at shelf space in the frozen category," spokesman Mike Hawkins told MILITARY MARKET.

Manufacturers are being asked to back up their introductions with market research to make sure new products will be hits, and retailers want more "guaranteed" sales on new items. At the same time, they are forced to eliminate those frozens that don't fit with what customers are buying.

If the cases are arranged properly, sales should keep growing steadily, and microwave ovens continue to melt resistance to the category. Between 75 percent and 80 percent of all U.S. households own at least one microwave oven, and Campbell Soup's Microwave Institute predicts that 95 percent of homes will have microwaves by the year 2000.

A look at the hot categories reveals that many of the items are designed with the microwave in mind.

Healthy Dinners

A CEO recounts the real-life story of his heart attack, and his search for foods to follow his new diet — which led to the creation of the Healthy Choice line. A Weight Watchers ad says, "Maybe we should have called them Health Watchers."

The emphasis is on healthy eating, and it started with reduced-calorie items. Now, low-calorie frozen dinner sales outpace their full-calorie counterparts. While the dinner/entree subcategory maintains steady growth of about 2 percent to 4 percent, the reduced calorie segment shows at least 12 percent annual growth. These items account for about 46 percent of the entree category.

The National Frozen Food Association reports that the popularity of reduced-calorie frozens has led to "more and more products being reformulated and offered in a reduced-calorie version." According to the Department of Commerce, more than one-third of U.S. households purchased low-calorie frozen entrees in 1988.

Yet in the military, sales of frozen diet dinners and entrees declined slightly for the 12 months ending in September. MAMI figures show the segment down 0.38 percent, probably because of the military's display space crunch.

But diet products fared better than full-calorie: the regular entrees segment declined 5.85 percent, according to MAMI; while the regular dinner segment dropped 3.56 percent.

Manufacturers are responding to demand by creating lines that are low in just about everything — cholesterol, fat, sodium, tropical oils.

Last October, Stouffer began national marketing of Right Course. Analysts cited in *Advertising Age* newspaper speculated that the new line may cannibalize Stouffer's regular entrees and its Lean Cuisine line. The newspaper reported that unit volumes for those two lines had slipped 12 percent in 1989. Also last fall, ConAgra completed national rollout of its Healthy Choice frozen dinners. MAMI data for the three months ending in September already showed Healthy Choice in key positions. The Salisbury steak dinner was ranked No. 13 for packages sold and No. 12 in dollar sales. The sirloin tip dinner reached No. 14 for packages sold and No. 13 in dollar sales. This is without full distribution.

Campbell Soup Co.'s Le Menu LightStyle reportedly has had a 50 percent commercial volume gain in the year ending Aug. 31. Early last year, Campbell repositioned the line to accent the nutritional content, rather than just the low-calorie aspects.

H.J. Heinz is doing the same thing with its Weight

Watchers' line, emphasizing health aspects like no butter, no chicken fat, no tropical oils and no added cream. A marketer for the company has said Weight Watchers will work to make its line more nutritious rather than introduce a separate line to compete with Healthy Choice and Right Course.

Fast Foods

The fast foods/snacks segment is the fastest growing for the military, according to MAMI data — for the 12 months ending in September 1989, dollar sales were up 24.3 percent.

The National Frozen Food Association reports that "frozen microwavable sandwiches have experienced tremendous gains." In the civilian sector, frozen hamburger/cheeseburger sales were up 65.8 percent in the 52 weeks ending April 21, 1989, while frozen sandwich sales were up 52.4 percent, according to Arbitron/SAMI.

AFCOMS reports that soup/sandwich combinations are hot sellers in Air Force stores. MAMI data supports this: AFCOMS had the highest growth in dollar sales for the fast food segment, with a 31.54 percent increase.

For commissaries as a whole, the top dollar sellers for the 12 months ending in September were: #1 — Micro Magic Cheeseburger; #2 — Hot Pockets 2-Pack Pepperoni Pizza; #3 — Hot Pockets 2-Pack Ham & Cheese; #4 — Micro Magic Chicken Sandwich; #5 — Micro Magic Hamburger.

Breakfast Items

It's rise and shine time for frozen breakfast. Civilian figures for dollar growth during 1988 range up to 30 percent. Analysts predict growth will continue at an annual rate of at least 12 percent in dollars and 9 percent in pounds. Buyers for commercial groceries have targeted breakfast items as the most promising frozen segment.

MAMI data for the 12 months ending in September 1989 show frozen waffles (the only breakfast food tracked) as the second fastest growing frozen segment, with an 18.88 percent increase in dollars.

NAVRESSO headquarters commissary personnel agree that "new microwavable breakfast foods are showing strong growth."

Commercially, Campbell's Great Starts line reportedly leads the segment with a 30 percent share. A recent entry is Weight Watchers' calorie-controlled microwave breakfasts, which were to be in select test markets beginning in October. The 13-item line includes pancakes, French toast, muffins and breakfast sandwiches.

Ethnic

Sales of ethnic food products are expected to grow an average of more than 7 percent annually, reaching $12 billion by the year 2000.

AFCOMS reports Mexican foods are a hot segment. According to MAMI, dollar sales of frozen Mexican food were up 5.65 percent for the 12 months ending in September. Pizza sales declined 3.67 percent.

Kids Meals

NFFA reports that "while entrees for toddlers and younger children began appearing in 1988, 1989's new twist was entrees targeted at older children who can prepare meals themselves in the microwave." They feature colorful packaging with games, puzzles and prizes.

Continued

The yogurt solution

Frozen yogurt machines will be pumping up sales in the military, as ripples from commercial grocery store success spread. A.C. Nielsen has predicted 150 percent growth for 1989. In addition, many exchanges are scooping their commissary counterparts by bringing the soft-serve treat inside *their* doors.

"The market for frozen yogurt, virtually nonexistent a decade ago, has exploded in recent years and can expect sweet success into the '90s," reports the Frozen Food Executive.

Retailers buy hard-pack yogurt from producers like Dannon, Borden, Dreyer's, Kraft, Honey Hill Farms, and International Yogurt. Vanilla is the favored flavor, with chocolate second and strawberry third.

In commissaries, brokers run the programs, supplying all equipment and personnel. Their employees operate the soft-serve dispensers, filling and sealing containers of standard sizes.

For example, at the Fort Lee, Va., store, which began selling Dannon yogurt on Nov. 14 last year, Eurpac Service Co. employs a full-time manager and eight servers for its co-located yogurt and pizza concessions. They operate whenever the store is open — 5½ days a week.

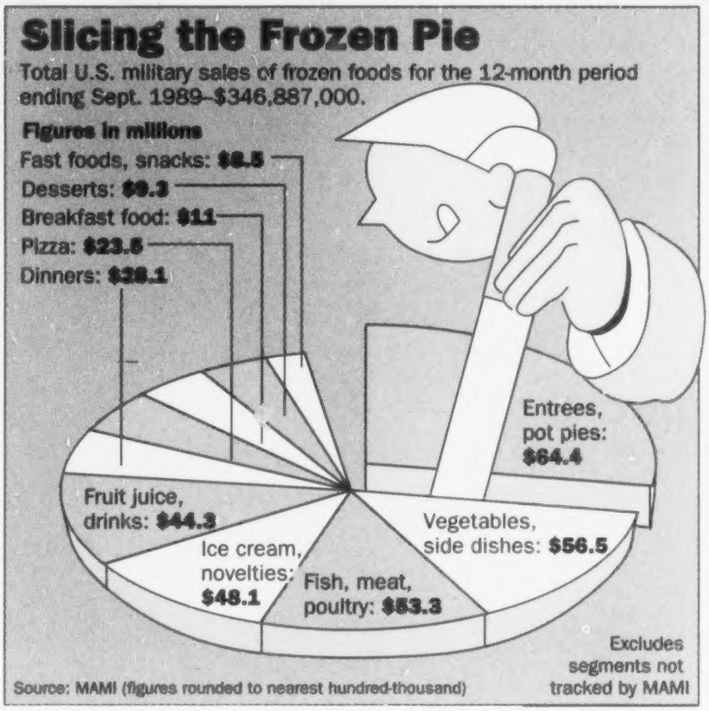
The cost is $1.69 a pound, compared with $1.99 in commercial stores. Manager Marilyn Alvarez told MILITARY MARKET that yogurt sales average about $300 a week. It takes 48 hours to thaw the yogurt after it is delivered by the distributor. Then it is dispensed from the machine and stocked in a refrigerated case for customer selection. Seventeen flavors are available, with two featured each day. The server can fill special orders if the flavor is loaded in the machine.

As of December, six Army commissaries had dispensers: Fort Lee; Fort Drum, N.Y.; Fort Monmouth, N.J.; Fort Sam Houston, Texas; Fort Rucker, Ala.; and Patch Barracks, Germany. Three more stateside stores and 16 overseas were to be brought into the program beginning in January. The European stores sell Elgin-Honey Hill yogurt managed by Sarvis, Inc.

As of January, 33 Air Force stores in ConUS, one in the Pacific and one in Europe had programs. The contractor for stateside stores is R & R Brokerage, based in Ohio.

Navy commissaries involved include Jacksonville, Orlando, Little Creek, NB Norfolk, Miramar, NS San Diego, and Imperial Beach. Contractors include Eurpac and AGS Foods.

The Marine Corps East Coast Commissary Complex is working with a vendor to develop a program, hopefully by summer.



Marty Baumann

An example is ConAgra's Kid Cuisine frozen dinners, which began rolling national in November after a successful 6-month test.

Vegetables

According to *Progressive Grocer*, prepared vegetables is "one of the hottest categories in the frozen food case," with sales up 12.86 percent in 1988. The Frozen Vegetable Council reports sales of regular and prepared frozen vegetables up 15.3 percent in 1988.

An analyst at FIND/SVP market research firm predicts the compound annual growth rate for microwaveable vegetables to be 7 percent through 1994.

MAMI includes frozen prepared vegetables in its side dish segment, which is up 1.42 percent. Frozen regular vegetables are up 14.77 percent.

Shelf-Stable Products

According to *Ad Age*, shelf-stable and refrigerated meals will give increased competition to frozens. A Find/SVP researcher predicts shelf-stable foods could take away as much as 10 percent of frozen sales by the year 2000.

However, AFCOMS reports that, so far, shelf stable foods haven't really had an impact on frozen sales in Air Force commissaries.

Many of the shelf-stable items are made by precooking the foods at a high temperature, usually 250 degrees Fahrenheit, to kill all microorganisms. Then the product can sit on a shelf for a year or more.

Retailers like shelf-stable foods because they cut energy, transportation, storage and handling costs. The savings for distribution is about 25 percent.

A recent arrival is a 6-item line from Pet Inc. Marketed with an emphasis on health (low-calorie, cholesterol, sodium, etc.) Progresso To:Go began to appear in test markets this January. Test markets include Baltimore/Washington; St. Louis; and Seattle/Tacoma, Wash. Del Monte is expanding distribution for Vegetable Classics, which could be national by the end of 1990. MM

MAMI Top 10s

Entrees

Rank	Brand	Product
1	*Stouffers*	Macaroni and Cheese
2	*Maple Leaf*	Chicken Cordon Bleu
3	*Gorton*	Fish Sticks
4	*Lean Cuisine*	Glazed Chicken
5	*Stouffers*	Creamed Chipped Beef
6	*Banquet*	Hot Bites Chicken Nuggets
7	*Tyson*	Chicken Rondolette Breast Patty
8	*Stouffers*	Lasagna
9	*Banquet*	Salisbury Steak with Gravy
10	*Lean Cuisine*	Spaghetti with Beef Mushroom Sauce

Dinners

Rank	Brand	Product
1	*Banquet*	Fried Chicken
2	*Banquet*	Salisbury Steak
3	*Banquet*	Turkey
4	*Swanson*	Fried Chicken White Meat
5	*Swanson*	Turkey
6	*LeMenu*	Sirloin Tips
7	*Banquet*	Combo Mexican Style
8	*Swanson Hungryman*	Fried Chicken White Meat
9	*Swanson*	Salisbury Steak
10	*LeMenu*	Yankee Pot Roast

Based on package sales for the 12 months ending 9/89

SOURCE: Military Audits of Market Information, Inc.

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Military Market

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MANAGING EDITOR
Larry Moffi
ASSOCIATE EDITOR
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EDITORIAL OFFICES
6883 Commercial Drive, Springfield, VA
22159-0210; (703) 750-8676 or
(800) 424-9335; Fax (703) 750-8622
ADVERTISING SALES OFFICES
1 Citicorp Center, 153 East 53rd Street,
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20 North Wacker Drive, Chicago, IL
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2049 Century Park East, Suite 430, Los
Angeles, CA 90067; (213) 203-8185

C.P.O, Box 684, Tokyo, Japan; 03-447-7362

VICE PRESIDENT–EDITORIAL DIRECTOR
James S. Doyle
VICE PRESIDENT–ADVERTISING
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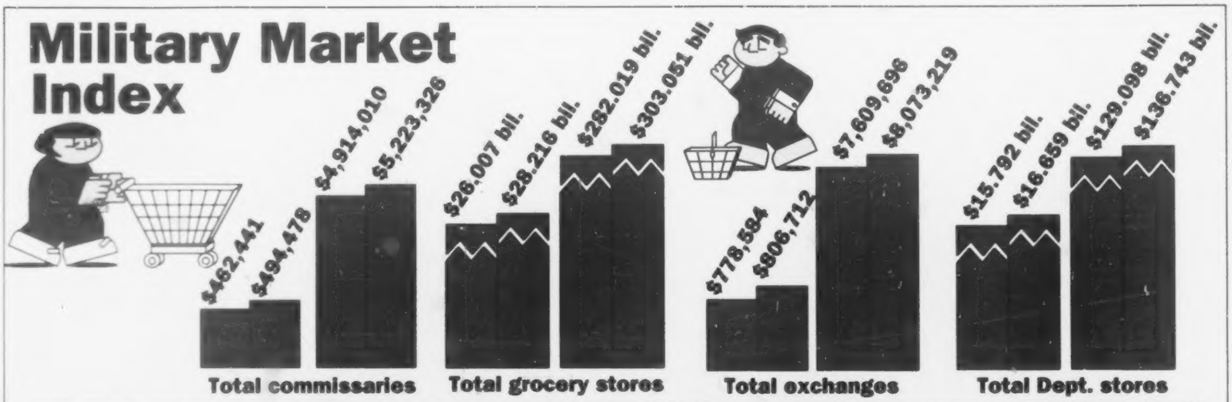


COMMISSARIES

		NOVEMBER			YEAR-TO-DATE		
		CY'88	CY'89	% CHANGE	CY'88	CY'89	% CHANGE
	CONUS	$118,440	$127,365	+7.54	$1,269,485	$1,340,117	+5.56
	OVERSEAS	44,205	45,570	+3.09	474,495	484,155	+2.04
ARMY	TOTAL	**162,645**	**172,935**	**+6.33**	**1,743,980**	**1,824,272**	**+4.60**
	CONUS	173,957	187,768	+7.94	1,808,633	1,961,628	+8.46
	OVERSEAS	38,188	40,703	+6.59	406,679	422,893	+3.99
AIR FORCE	TOTAL	**212,145**	**228,471**	**+7.70**	**2,215,312**	**2,384,521**	**+7.64**
	CONUS	65,389	69,563	+6.38	711,916	760,926	+6.88
	OVERSEAS	7,069	7,378	+4.37	80,180	82,749	+3.20
NAVY	TOTAL	**72,458**	**76,941**	**+6.19**	**792,096**	**843,675**	**+6.51**
	CONUS	14,349	15,275	+6.45	153,164	160,655	+4.89
	OVERSEAS	323	299	-7.43	3,355	3,465	+3.28
MARINE CORPS	TOTAL	**14,672**	**15,574**	**+6.15**	**156,519**	**164,120**	**+4.86**
	CONUS	277	273	-1.44	2,941	3,104	+5.54
	OVERSEAS	244	284	+16.39	3,162	3,634	+14.93
COAST GUARD	TOTAL	**521**	**557**	**+6.91**	**6,103**	**6,738**	**+10.40**
	CONUS	$372,412	$400,244	+7.47	$3,946,139	$4,226,430	+7.10
	OVERSEAS	$90,029	$94,234	+4.67	$967,871	$996,896	+3.00
ALL COMMISSARIES	TOTAL	**$462,441**	**$494,478**	**+6.93**	**$4,914,010**	**$5,223,326**	**+6.29**

EXCHANGES

		NOVEMBER			YEAR-TO-DATE		
		CY'88	CY'89	% CHANGE	CY'88	CY'89	% CHANGE
	CONUS	$306,714	$346,386	+12.93	$3,057,836	$3,412,590	+11.60
	OVERSEAS	232,359	243,367	+4.74	2,407,770	2,540,189	+5.50
AAFES	TOTAL	**539,073**	**589,753**	**+9.40**	**5,465,606**	**5,952,779**	**+8.91**
	CONUS[3]	1,541	2,133	+38.42	13,783	13,258	-3.81
	OVERSEAS[3]	2,622	4,010	+52.94	22,278	23,837	+7.00
MAIL ORDER	TOTAL[4]	**4,163**	**6,143**	**+47.56**	**36,061**	**37,095**	**+2.87**
	ConUS[2]	133,009	114,458	-13.95	1,143,622	1,163,553	+1.74
	OVERSEAS[2]	54,654	47,754	-12.62	494,375	481,638	-2.58
NAVY	TOTAL[2]	**187,663**	**162,212**	**-13.56**	**1,637,997**	**1,645,191**	**+0.44**
	CONUS	34,782	35,262	+1.38	335,737	308,174	-8.21
	OVERSEAS	5,252	5,615	+6.91	56,977	51,498	-9.62
MARINE CORPS*	TOTAL[3]	**40,034**	**40,877**	**+2.11**	**392,714**	**359,672**	**-8.41**
	CONUS[3]	7,121	7,192	+1.00	71,958	73,057	+1.53
	OVERSEAS[3]	530	535	+0.94	5,360	5,425	+1.21
COAST GUARD	TOTAL[3]	**7,651**	**7,727**	**+0.99**	**77,318**	**78,482**	**+1.51**
	CONUS	$483,167	$505,431	+4.61	$4,622,936	$4,970,632	+7.52
	OVERSEAS	$295,417	$301,281	+1.98	$2,986,760	$3,102,587	+3.88
ALL EXCHANGES	TOTAL	**$778,584**	**$806,712**	**+3.61**	**$7,609,696**	**$8,073,219**	**+6.09**

1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

BASE CLOSINGS

Cheney's "list"

From the beaches of Fort Ord, Calif., to the drydocks of Philadelphia Naval Shipyard, service members and the communities that support them are bracing for the possibility of more military base closures.

No sooner had members of Congress recovered from the political trauma of voting in 1989 to close or realign 145 stateside bases than Defense Secretary Richard Cheney presented them with a new challenge: a "hit list" proposing extensive base closures in the United States and the first closures of bases overseas. *(See chart, page 14.)*

Cheney's Jan. 29 announcement was to make the case for more base closures by naming unneeded bases and asking Congress to ease legal and financial restrictions that have prevented previous defense secretaries from shutting the gates.

Cheney said that, if the defense budget continues to shrink, he wants to close 35 bases in the United States and reduce forces at 20 others.

Congressional approval is required before any action can be taken on the domestic bases. Cheney said he will close 12 bases overseas and reduce forces at two others. No congressional approval is necessary for DoD to close or alter overseas bases.

Unlike his predecessor, Frank Carlucci, Cheney does not propose to hand the job over to a bipartisan commission, even though administration officials concede this will leave the new proposal more vulnerable to charges of political favoritism.

The Navy would have a larger share of bases affected by Cheney's proposal than the other services. An Office of Management and Budget official said this is fair because the Army and Air Force are most severely affected by the current round of base closures.

A House Armed Services Committee aide was pessimistic about the list's chances of passage. "I think it's a largely hopeless proposition for Cheney," the aide said.

The aide noted that Cheney's list will be subject to all kinds of tinkering and deal-making throughout the legislative session. Such a process could pick Cheney's proposal apart until nothing is left, or change it so much that even Cheney would fail to recognize it by next summer.

Indeed, the new base closure proposal faces so many political hurdles that some observers suggest Cheney may be using the proposal as a gesture to put certain lawmakers in an election-year dilemma.

CONSTRUCTION

DoD freezes construction contracts

The Defense Department has imposed a three-month freeze on DoD construction contracts.

A memorandum by Defense Secretary Richard Cheney, issued Jan. 24, imposes a moratorium until April 30 on new contracts for military construction, architectural services and design projects.

Congressional sources said the House Armed Services morale, welfare and recreation panel has also asked Cheney to extend the construction freeze to include resale facilities that are built without taxpayer funds. These types of facilities include exchanges, which are built with sales profits, and commissaries, which are built with surcharge funds, as well as other MWR facilities.

Sources said these facilities represent at least $400 million in construction projects that have been approved but not started and another $500 million in projects that have been proposed for 1990.

"Until we know what is going on [regarding base closings, personnel drawdowns, etc.], we shouldn't let them do more on this," said a congressional staffer.

The moratorium will delay an estimated 300 construction contracts and 300 design contracts, said Robert Stone, deputy assistant secretary of defense for installations. The contracts are worth about $1.5 billion.

Stone said the freeze would upset timetables for such projects as barracks, hospitals and child care centers. "In many areas, we are short of needed facilities," he said. "This means in many of these areas we are going to be short for three months longer."

Cheney's memorandum said the freeze "will permit the Department to further exercise careful stewardship of taxpayer funds devoted to military construction, in light of the coming changes in the force structure and disposition of the U.S. armed forces."

On April 30 — when the moratorium expires — the Pentagon is scheduled to announce its five-year defense spending plan. According to reports, the plan will call for eliminating 290,000 active-duty billets by 1995.

REORGANIZATION

AAFES seeks to alleviate confusion

As AAFES draws down its regional offices, moving its regional executives, buyers and other personnel to Dallas, vendors are reporting confusion about the status of their contracts and about who they should do their region-level business with.

While the agency's announced reorganization calls for the first region (Southeast) to be closed by August 23 of this year, many buyers and region executives are already on the move, to Dallas or elsewhere.

According to AAFES spokeswoman Air Force Col. Carol Habgood:

☐ National suppliers — those who sell to AAFES *only* through the AAFES headquarters office in Dallas — should continue to do business with their respective headquarters buyers during the transition period. National vendors who do *not* do business at the local level should *not* use the toll-free telephone numbers in this story, which are designed only for suppliers with local or regional contracts.

☐ National suppliers who also do business through the ConUS regions — national firms selling snack foods, for instance, or companies with one-time buys they want to offer to the regions — should contact their respective headquarters buyers during the transition. When the AAFES Operations Center is established, these vendors will be given new contacts.

☐ Regional suppliers who did consumables business with the regions — magazines, paperback books and stationery items, food, beverages, tobacco, and health and beauty aids — may call a toll-free line with their inquiries. The special phone — (800) 628-0959 — rings in the Consumables Division. It should be used *only* by regional suppliers of consumables, not national suppliers.

☐ Regional suppliers of personal services, vending machine services, and equipment and supplies also have a toll-free number to use. This number — (800) 828-0157 — rings in the Special Contracts Division. This number also should be used *only* by regional suppliers, not national suppliers.

The official schedule, which is subject to change, calls for the Southeast Region closure to be complete by August 23, the Golden Gate Region to be closed by October 23, the Alamo Region to be closed by January 1991, and the Capital Region to be closed by July 1991.

The New Round of Proposed Base Closings: 1990-1994

State/Country	Installation	Service	Action	Military	Civilians	Year
Alabama	Fort McClellan	Army	Close	-2,691	-1,455	'93
Arkansas	Eaker AFB	AF	Close	-2,934	-313	'92
California	40th Infantry	Army NG	Eliminate	-2,841	0	'93
California	Unknown	Army Res	Inactivate	-1,015	0	'90-'91
California	Long Beach	Navy	Close	-37	-5,116	'92
California	NAS Moffett Field	Navy	Close	-4,950	-400	'92
California	Oakland Hospital	Navy	Close	-1,400	-600	'92
California	NSC Oakland	Navy	Close	-1,560	-3300	'92
California	NAF El Centro	Navy	Close	-290	-99	'92
California	Los Angeles AFS	AF	Close	-1,859	-1,543	'91
California	Sacramento AD	Army	Close	-16	-3,505	'92-'93
California	Fort Ord	Army	Close	-14,849	-2,294	'92-'93
California	Treasure Island	Navy	Close	-2,180	-400	'92
California	NAD Alameda	Navy	Close	-35	-4,200	'92
California	NAS Alameda	Navy	Close	-11,410	-1,200	'92
Connecticut	26th Infantry	Army NG	Eliminate	-3,388	0	'92-'93
Georgia	Robins AFB	AF	Reduce AFLC	-10	-1,345	'91
Illinois	33rd Sep Infantry	Army NG	Eliminate	-3,726	0	'94
Kansas	35th Infantry Division	Army NG	Eliminate	-2,026	0	'93
Kentucky	NOS Louisville	Navy	Close	-12	-2,350	'92
Kentucky	Fort Knox	Army	Downsize Brig	-3,010	TBD	'90
Massachusetts	26th Infantry	Army NG	Eliminate	-6,772	0	'92-'93
Massachusetts	NAS South Weymouth	Navy	Close	-450	-200	'91
Michigan	NAF Detroit	Navy	Close	-130	-72	'91
Missouri	St. Louis DCASR	DLA	Reduce Civs	0	-425	'91
Missouri	Troop Support Command	Army	Eliminate	-54	-1,530	'91-'94
Nebraska	35th Infantry	Army NG	Eliminate	-1,353	0	'93
Nevada	Tonopah AFS	AF	Reduce F-117	+ 1,958	0	'92
New Jersey	50th Armored Division	Army NG	Eliminate	-6,849	0	'90-'94
New Mexico	Holloman AFB	AF	Add F-117	+ 1,814	37	'92
New York	Unknown	Army Res	Inactivate	-1,086	0	'90-'91
New York	42nd Infantry	Army NG	Eliminate	-12,804	0	'90-'94
New York	New York DCASR	DLA	Reduce Civs	0	-470	'91
Ohio	107th Armored Cavalry	Army NG	Eliminate	-3,617	0	'93
Ohio	Wright-Patterson AFB	AF	Reduce AFLC	-592	-1,503	'91
Ohio	Cleveland DCASR	DLA	Reduce Civs	0	-467	'91
Oklahoma	Tinker AFB	AF	Reduce AFLC	-55	-1,471	'91
Pennsylvania	28th Infantry	Army NG	Eliminate	-3,017	0	'93
Pennsylvania	NS Philadelphia	Navy	Close	-1,270	-1,500	'92
Pennsylvania	Philadelphia Naval Yard	Navy	Close	-9,200	-11,200	'92
South Carolina	Myrtle Beach AFB	AF	Close	-3,260	-484	'92
Texas	50th Armored Division	Army NG	Eliminate	-2,963	0	'94
Texas	Dallas DCASR	DLA	Reduce Civs	0	-392	'91
Texas	Red River AD	Army	Realign	0	-1,905	'91-'94
Texas	NAS Chase Field	Navy	Close	-780	-500	'92
Texas	Fort Hood	Army	Inact Div	-12,204	TBD	'90-'91
Texas	Bergstrom AFB	AF	Close	-4,395	-907	'92
Texas	Kelly AFB	AF	Reduce AFLC	-10	-1,486	'91
Utah	Hill AFB	AF	Reduce AFLC	-118	-1,264	'91
Washington	Fort Lewis	Army	Downsize	-7,892	TBD	'90-'91
Bermuda	NAS Bermuda	Navy	Close	-890	-360	'91
Germany	Zweibrucken	AF	Close	-2,596	-420	'94
Greece	Nea Makri	Navy	Close	0	-128	'91
Greece	Hellenikon	AF	Close	-1,323	-83	'91
Italy	Comiso	AF	Close	0	0	'91
Korea	Taegu	AF	COB	-1,281	-7	'91-'92
Philippines	San Miguel	Navy	Close	0	-128	'91
Turkey	Eskisehir	AF	Close	-53	-1	'91
Turkey	Erhac	AF	Close	-52	-1	'91
United Kingdom	RAF Fairford	AF	Close	-1,059	-42	'91
United Kingdom	RAF Greenham Common	AF	Close	-212	-81	'91
United Kingdom	RAF Wethersfield	AF	Close	-513	-25	'91

NOTE: Includes all facilities slated for closure in the newest round of proposed base closings. Also includes other actions which affect 1,000 or more military or civilian personnel. Excludes actions affecting fewer than 1,000 military or 1,000 civilian personnel.

Diet Foods

And the Gristmill Keeps on Churning

MARKET REPORT by Karen McBeth, Associate Editor

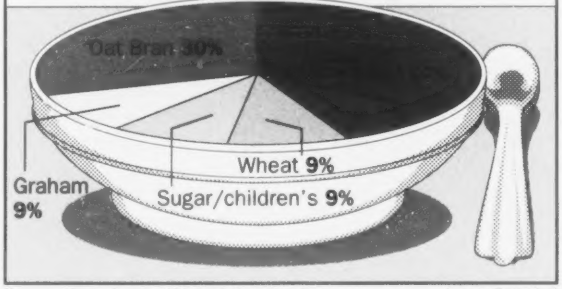
With all of the contradictions circulating about healthful food products, it's no wonder that shoppers *say* they want to eat nutritiously, but sometimes don't do anything about it. Retailers also face confusion from all sides. *Advertising Age* described the situation as "near chaos."

Studies show that consumers want more nutritional food labeling: Manufacturers worked with the American Heart Association to develop a standard label (the HeartGuide program) but drew fire from the Food and Drug Administration (which is developing its own requirements).

The HeartGuide program began in February after three years of planning. The association puts a seal of approval on products meeting its guidelines for fat, cholesterol and sodium content — for a fee ranging from $15,000 to $640,000. But the FDA's acting commissioner has said that participating companies risk "regulatory action," and now some, including CPC International, have pulled out, while others are continuing. At least seven states have supported the FDA's position.

Ready-to-Eat Cereal Introductions

Of 23 cereals introduced in the military in the 12 months ending Oct. 1989, most were bran.



Source: Military Audits of Market Information, Inc. Joanne Ostendorf

Meanwhile, manufacturers keep introducing reformulated, relabeled, or "revolutionary" food products, and shoppers in increasing numbers report eating more of the healthful or light items. The Packaged Facts research firm estimated total sales of light products at $8 billion for 1989, with a yearly growth rate of 6 to 7 percent through 1993.

The commissary agencies are publishing health fact brochures and encouraging store participation in promotions for March's National Nutrition Month. And the market keeps changing . . .

Sweeteners

The artificial sweetener scene is going through a shakeup. Stadt Corp.'s Sweet One became available nationwide last July — the first artificial sweetener in seven years to gain FDA approval, it carries no health risk warnings. Sweet One is made with Sunette, the brand name for acesulfame-k, a product reportedly 200 times sweeter than sugar. Available in Europe since 1983, the product can be used for sweetening hot and dry beverages and chewing gum, and it is approved for baking and cooking.

General Foods may apply for FDA approval for two new artificial sweeteners called PS 99 and PS 100, said to be 2,000 to 2,500 times sweeter than sugar. Even cyclamate has come full circle: The FDA may reapprove the sweetener, which was banned about 20 years ago.

NutraSweet is testing a tabletop sweetener (Sugar Delight) which is 99 percent sugar and 1 percent NutraSweet, with half the calories of sugar.

Oils/Fats

While some manufacturers still struggle to develop a fat substitute that can gain FDA approval, others have used natural ingredients to replace fat and cholesterol in their products. And some, like Kraft General Foods, are doing both at once.

GF's Entenmann's line of 12 fat-free, cholesterol-free cakes and cookies is being tested in the Northeast and Midwest. Made with non-fat dry milk and egg whites, the items contain fewer than 100 calories per serving and sell at a 10 percent or 20 percent premium. Continental Baking Co.'s Hostess Lights, made with canola oil and egg whites, are 97 percent fat-free and contain no cholesterol. And Sara Lee Lights, six single-serving frozen desserts rolled out last month, have less than 200 calories and are marketed as being low in cholesterol and sodium.

In the cooking/salad oils business, there are reports of rising sales for olive and canola oils and declining sales for vegetable oils. Other reports indicate that olive and canola oil haven't really impacted on the $950 million cooking oil market. Data from Military Audits of Market Information, Inc., show sales of cooking and salad oils down 5.9 percent in units and 3.3 percent in dollars for the 12 months ending in November. MAMI doesn't have comparison figures for olive oil, but reports that commissary sales for the year ending February 1989 totaled $3,227,000.

Fibers

The new year has brought rumblings about the rise of rice bran and the fall of oat bran, the fall of rice bran and the rise of traditional fibers like wheat and fruit, and the raising and dashing of manufacturers' hopes — all in the space of a month or two.

After the battle of the medical studies ends, consumers may be tempted to turn from fiber products altogether. "Fad" items like oat bran donuts, oat bran pretzels, and oat bran beer will be the big losers, according to analysts.

It's hard to say what will happen with products like Kellogg's new Kenmei brown rice/rice bran cereal or Ralston Purina's Rice Bran Options.

If last year's figures and predictions hold true, low-cholesterol foods and cholesterol remedies could be a $5 billion industry in the early 1990s. So far, cereals have floated on this wave. According to *Supermarket News*, breakfast cereal introductions increased 48 percent in 1989; 56 percent of these listed oatmeal, oat bran or other brans as key ingredients.

In the military market, too, most of the new ready-to-eat cereals contained bran, according to MAMI. *[See chart.]* And MAMI reports that the "driving force behind hot cereal's substantial growth" is oat bran. Hot cereals with oat bran grew 400 percent for the year ending Oct. 1989.

AAFES' 1989 Million-Dollar Suppliers

This is a list of 702 suppliers who did $1 million or more in worldwide business with the Army and Air Force Exchange Service during fiscal 1989, which ran from Jan. 24, 1989 through Jan. 21, 1990.

Note that, in some cases, separate payments to the same parent company are listed separately. This is because some firms have divisions which operate under different AAFES Vendor Identification numbers.

Companies are listed in decending order of their worldwide total net dollar volume, as reported in official AAFES records. Readers who wish to obtain a complete copy of this listing, which shows both ConUS and offshore payment amounts, should contact MILITARY MARKET MAGAZINE, 6883 Commercial Dr., Springfield, VA 22159-0210, and ask for a copy of the AAFES Million Dollar Vendor List.

The Navy Resale and Services Support Office is working on its own Million Dollar Supplier list which, this year, will contain information about payments by both the headquarters office and the field support offices. The NAVRESSO list should be available during April, headquarters sources say.

Rank	Company	WW Net Payment
1	Philip Morris	$41,915,232.34
2	Conco	33,740,250.08
3	BP Oil	32,545,369.09
4	Exxon Co USA	32,150,751.27
5	Revlon	29,903,545.87
6	Eastman Kodak	29,531,120.76
7	Levi Strauss	29,412,104.97
8	HEA Corp	28,546,994.64
9	Distron Dist Ctr	26,105,494.84
10	RCA	24,924,969.14
11	Anheuser-Busch	24,119,810.72
12	Metallgesellschaft	23,648,270.96
13	Frito-Lay	23,349,211.05
14	Panasonic Western	21,752,482.21
15	Bev/Food/Svc (Pepsi)	21,178,939.47
16	Commodore Bus Mach	21,106,360.87
17	Procter & Gamble Dist	20,965,616.15
18	Sony Corp of America	20,933,962.58
19	Plus Mark	20,716,154.49
20	Coca-Cola Export	19,563,364.02
21	RJ Reynolds Tobacco	19,503,152.43
22	GE Silicones	18,604,622.01
23	JVC Co of America	17,856,093.26
24	Jockey International	17,557,653.16
25	Softkat	16,331,178.81
26	Johnson & Johnson	16,105,776.50
27	Zenith Electronics	15,450,338.16
28	Sharp Electronics	15,150,660.62
29	Hallmark Cards	14,726,395.94
30	M&M Mars	14,431,607.33
31	MCA Records Dist	14,396,407.63
32	Louis Dreyfus Energy	13,874,483.50
33	Promana	13,459,987.41
34	CBS Records	13,215,755.03
35	Braun	12,836,391.40
36	Annedeen/Reebok	12,826,346.11
37	Artex Mfg	12,461,202.46
38	Radio Shack	12,299,282.46
39	Cannon Mills	11,814,582.13
40	Black & Decker	11,806,193.76
41	Weintraub Bros	11,665,455.46
42	Polaroid	11,658,897.46
43	BASF Systems	11,454,523.56
44	Michelin Tire	11,337,747.39
45	Kraft Retail Food GP	11,176,075.45
46	Goodyear Int'l	10,960,896.02
47	Belcher Oil	10,937,420.27
48	Jos E Seagram & Sons	10,649,836.99
49	Brown & Williamson	10,458,437.54
50	Nabisco Brands	10,389,509.75
51	Brigade Brands, Ltd	10,329,268.86
52	Texaco	10,318,226.58
53	Hanes Hosiery	10,234,358.78
54	Springs Industries	10,100,906.56
55	Nike	10,024,087.66
56	Bose	9,913,871.05
57	Liz Claiborne	9,868,517.30
58	Hershey Chocolate	9,432,930.93
59	Monarch Crown	9,397,726.10
60	Mattel Toys	9,275,404.81
61	Sysco Food Services	9,224,393.79
62	Huffy	9,139,286.07
63	C Lloyd Johnson	9,112,661.74
64	Nintendo of America	9,098,895.14
65	Kenwood Electronics	9,081,582.22
66	Miller Brewing	8,668,136.90
67	River City Petroleum	8,665,570.69
68	Manhattan Store	8,615,073.15
69	Gale Barstow	8,559,284.05
70	Fisher-Price Toys	8,500,520.49
71	Sysco Food Systems	8,471,212.18
72	H Fabrikant & Sons	8,398,570.32
73	Estee Lauder Intl	8,324,301.23
74	Jim Beam Brands	8,301,525.00
75	Rubbermaid	8,231,504.54
76	Cove Shoe	8,228,377.98
77	Tyson Foods	7,834,162.72
78	Eveready Battery	7,763,602.15
79	US Tobacco	7,723,696.00
80	Kayser Roth Hosiery	7,714,564.07
81	Pan American DIA	7,666,026.56
82	Nabisco Brands	7,602,429.95
83	John K Kealy	7,565,846.85
84	First Brands	7,399,257.48
85	Kimberly Clark	7,325,182.18
86	Hagger	7,232,319.10
87	Hasbro	7,163,344.19
88	Acme Boot	7,038,352.08
89	Apple Computer	7,009,649.34
90	Baskin Robins	7,004,630.39
91	Fieldcrest Mills	6,986,540.00
92	Lorillard	6,986,210.38
93	Stuart Hall	6,837,897.37
94	Robert Tabakow	6,634,789.39
95	Corning Glass Works	6,612,937.64
96	Mansfield Oil	6,552,972.51
97	Calvin Klein	6,517,577.26
98	Smith Corona	6,458,325.12
99	ARA Services	6,457,379.21
100	E&J Gallo Winery	6,423,059.08
101	Capitol Records	6,389,704.28
102	Gucci America	6,389,421.82
103	Elizabeth Arden	6,386,989.00
104	Pioneer Electronics	6,347,425.06
105	Kangaroos USA	6,341,742.44
106	RAM Wholesale	6,318,131.35
107	Champion Products	6,259,248.89
108	Holverine World Wide	6,177,139.00
109	Playtex	6,131,755.03
110	Gasco Gasoline	6,125,744.48
111	Military & Spec Mkts	6,106,644.58
112	Retail Frag/Cosmair	6,081,073.86
113	HC Bradiey Enterprises	6,072,171.94
114	Barry Bette & Led Duke	5,976,970.57
115	Hoover	5,967,647.30
116	Intercraft Ind	5,888,447.87
117	Freeman Shoe	5,828,538.48
118	Quaker Oats	5,824,056.93
119	Maidenform Intl Ltd	5,813,761.68
120	Whirlpool	5,794,275.79
121	Oroamerica	5,784,714.80
122	Maxwell Comm	5,770,472.92
123	Diamond Shamrock	5,705,999.75
124	Chevron Chemical	5,640,769.93
125	Shell Oil	5,626,034.17
126	Polygram Dist	5,590,529.38
127	Ira Green	5,406,837.51
128	Dr Pepper Bev Sales	5,353,679.82
129	AT&T Consumer Prods	5,317,857.89
130	Vendo	5,306,007.65
131	Sonoco Products	5,205,680.04
132	Finance & Acct Office	5,154,059.76
133	Murray Ohio Mfg	5,101,071.59
134	Vanguard Mil Equip	5,058,171.20
135	Qualex	4,954,733.64
136	Stedman	4,952,396.11
137	Polo Fashions	4,915,161.34
138	Capital Mercury Shirt	4,914,495.83
139	Armstrong World Ind	4,894,246.71
140	Esprit De Corp	4,883,192.02
141	Phillips Consumer	4,835,914.81
142	Liggett & Myers Tob	4,804,098.01
143	Brown Shoe	4,790,221.96
144	Minnesota Mining & Mfg	4,764,796.75
145	Philips Consumer Elect	4,738,072.23
146	Airway Ind	4,700,513.00
147	Bacardi Imports	4,669,957.71
148	Playskool	4,664,136.09
149	Casio	4,660,509.02
150	Coleman	4,653,089.89
151	Kraft Inc Retail	4,624,500.07
152	Timex	4,573,502.38
153	American Tobacco	4,562,769.96
154	Forstmann & Co	4,554,795.16
155	Arrow	4,545,001.38
156	Richardson-Vicks	4,539,945.75
157	Heublein	4,512,847.67
158	Allied-Sysco Food	4,471,243.10
159	N S Meyer	4,436,621.92
160	Kellogg Sales	4,387,829.93
161	Nobel-Sysco Food Serv	4,386,111.88
162	Lighthouse Ind For Bld	4,348,459.40
163	US Army Fin & Acct	4,336,507.19
164	London Star Limited	4,320,337.10
165	Jacobs Suchard	4,294,049.32
166	NCR	4,292,871.21
167	Goody Products	4,247,375.39
168	Samsonite Furniture	4,225,041.63
169	Goldstar Elec Int	4,217,964.55
170	Minolta	4,215,600.44
171	Poulan/Weed Eater	4,207,974.71
172	Berkline	4,205,233.73
173	Action Industries	4,195,870.06
174	Texas Instruments	4,190,304.44
175	Waterford Wedgwood	4,156,816.28
176	Tesoro-Alaska	4,139,826.76
177	Seven-Up-Enterprises	4,121,146.02
178	L'Oreal	4,107,421.04
179	Samsung Electronics	4,105,259.64
130	Oscar Mayer Foods	4,095,658.06
181	Armour & Co	4,039,787.08
182	Amerada Hess	4,014,545.95
183	Cadbury Beverages	4,000,829.38
184	Remington Products	3,979,406.08
185	H Cotler	3,974,755.66
186	Colgate Palmolive	3,961,528.51
187	Max Factor PR	3,957,413.48
188	Oster Div/Sunbeam	3,945,911.14
189	Oshkosh B'Gosh	3,921,795.40
190	SC Johnson & Son	3,908,714.89
191	General Foods	3,899,817.05
192	Vanity Fair Mills	3,894,577.45
193	Keebler	3,893,348.56
194	Canon USA	3,866,287.48
195	Carnation	3,857,254.77
196	Kiwi Brands	3,856,181.31
197	Chesebrough Ponds	3,851,749.71
198	Almet/Lawnlite	3,850,974.12
199	Continental Baking	3,823,622.72
200	Skil Corp	3,815,778.20
201	Little Tikes	3,811,936.58
202	Bethco Fragrances	3,801,572.75
203	Pennex Products	3,800,672.48
204	Union Bay Sptswr Ltd	3,799,226.50
205	Buena Vista Home Video	3,794,676.94
206	Automatic Prod	3,772,403.78
207	Audiovox	3,739,837.13
208	Etonic	3,738,861.62
209	Coopers & Lybrand	3,704,502.05
210	Russell	3,695,153.61
211	Birchwood Meat & Prov	3,664,994.74
212	Oneida Ltd	3,576,756.82
213	Johnson Controls	3,568,740.13
214	Swarovski Jwlry US Ltd	3.551,965.66
215	Campbell Soup	3,550,938.43
216	Eastern Display Prod	3,509,853.31
217	Eureka	3,500,907.92
218	Milton Bradley	3,481,931.19
219	Henry I Siegel	3,460,399.38
220	Mobil Oil Credit	3,452,413.13
221	Toastmaster	3,449,581.86
222	Nestle Foods	3,396,743.01
223	Sanyo Electric	3,386,508.52
224	Singer Sewing	3,384,710.19
225	Infinity Systems	3,380,665.67
226	Farah Mfg	3,376,501.18
227	Pillowtex	3,356,539.10
228	Rival Mfg	3,340,912.41
229	Nationwide Marketing	3,327,056.51
230	Pennzoil	3,311,256.53
231	New Balance Athletic	3,306,003.28
232	The Rockport	3,279,287.10
233	Cenex/LOL AG Services	3,276,266.10
234	Ala Coca Cola Btl	3,259,803.81
235	Con Agra Flour Millng	3,259,732.17
236	Atlas Chain	3,257,567.05
237	Generra Sportswr	3,255,589.62
238	Gitano	3,247,910.47
239	Beecham Products	3,223,441.11
240	Valspar	3,219,388.67
241	Parfums Intl	3,211,884.93
242	London Fog	3,163,035.12
243	Barnhill Contracting	3,167,027.10
244	Fashion Fair Cosmetics	3,147,513.09
245	Hiram Walker G&W	3,129,247.46
246	Amdahl	3,101,959.54
247	Lenox	3,101,610.29
248	Ekco Housewares	3,096,244.37
249	Geo A Hormel & Co	3,090,072.81
250	MTD Products	3,083,675.34
251	Harry Sugarman	3,069,395.08
252	Lasko Metal Products	3,043,780.89
253	World Pacific Jewelry	3,041,113.40
254	MJ Soffe	3,039,761.06
255	Beatrice Grocery Group	3,019,967.90
256	Sinclair Marketing	2,992,503.46
257	Mirro/Foley	2,989,638.26
258	Davis Clothing	2,963,593.83
259	Cosco,	2,561,030.40
260	Quaker State	2,954,422.40
261	Mapco Alaska Petrol	2,954,187.41
262	Pendleton Woolen Mills	2,951,462.49
263	Maxell Corp of America	2,948,675.63
264	Megastar Apparel Gp	2,937,745.75
265	Fragrance Mktg Gp	2,927,997.76
266	Monet Jewelers	2,917,581.69
267	Sandberg & Sikorski	2,915,027.19
268	Wilson Sptg Goods	2,887,086.97
269	Shulton	2,884,575.12
270	Lever Brothers	2,875,036.76
271	Mars Electronics	2,863,206.50
272	Plough	2,856,062.34
273	Black Hills Jewelry Mfg	2,855,849.35
274	Zojirushi America	2,850,688.16
275	Christian Dior Perfumes	2,828,402.01
276	Mennen	2,826,676.13
277	Carter-Wallace	2,824,662.46
278	Genl Svcs Admin	2,815,025.73
279	Colonia	2,807,625.01
280	Onyx Petroleum	2,783,707.15
281	Yves Saint Laurent	2,750,401.27
282	Union Underwear	2,748,352.99
283	Pepsi Cola	2,739,548.12
284	Solo Cup	2,734,893.01
285	Chanel	2,719,557.47
286	William Carter	2,715,658.25
287	Cons Prod Div/Faberge	2,704,194.06
288	Weber-Stephen Prod	2,700,506.45
289	1928 Jewelry	2,699,011.68
290	Command Marketing	2,690,804.56
291	Pentax	2,679,122.82
292	Neptune Garment	2,657,836.80
293	Members Only	2,652,798.06
294	Original Designs/FA	2,648,852.38
295	Carver	2,629,209.88
296	Kirsch	2,609,828.42
297	Collins Construction	2,597,318.75
298	Ala Alc Bev Cont Bd	2,590,325.83
299	Sidney Rich Associates	2,575,251.44
300	Carrols	2,572,318.27
301	SWS Garment	2,559,686.56
302	Pillsbury/Green Giant	2,556,369.22
303	Astroline	2,550,853.53
304	Bausch & Lomb	2,545,485.64
305	Nation Pizza Products	2,540,477.74
306	The Stroh Brewery	2,540,096.53
307	Star Micronics	2,524,843.82
308	Hamilton Beach	2,509,917.26
309	Mobil Chemical	2,488,841.62
310	Whitehall Labs	2,482,978.03
311	Tropicana Products	2,479,457.66

312 - E-Z Serve Sub	2,476,446.90
313 - Bali	2,437,389.98
314 - Armour Dairy	2,432,464.38
315 - State of North Carolina	2,431,694.19
316 - Adidas USA	2,429,321.79
317 - Sealy Mattress	2,425,604.93
318 - Schieffelin & Somerset	2,425,313.10
319 - Bissell	2,415,459.10
320 - Bausch & Lomb	2,418,430.19
321 - Wm Wrigley Jr	2,416,582.37
322 - Moore Business Forms	2,412,163.73
323 - Master Lock	2,411,207.43
324 - Izod Lacoste Menswear	2,406,404.45
325 - Burlington Ind	2,399,446.24
326 - Shelburne Shirt	2,383,127.85
327 - Verdi Travelware	2,369,890.02
328 - Goebel United States	2,365,999.94
329 - Hoyle Knitting Hills	2,359,997.23
330 - Food Services of Amer	2,341,432.55
331 - James River	2,340,150.29
332 - Riverside Furniture	2,337,240.87
333 - Chic Hosiery	2,310,405.48
334 - Russ Togs	2,308,973.50
335 - Parker Pen	2,303,117.64
336 - Maybelline	2,297,291.27
337 - Conair	2,275,560.10
338 - General Mills	2,273,924.05
339 - Lladro USA	2,273,907.31
340 - US Shoe	2,268,952.34
341 - Brown Forman	2,264,188.06
342 - Regal Appliance	2,263,722.38
343 - Gerber Products	2,261,280.50
344 - MGM UA Entertainment	2,258,520.22
345 - Deena Lingerie	2,253,451.92
346 - US Cavalry	2,248,586.40
347 - Wamsutta Pacific	2,235,783.19
348 - Wemco	2,228,583.40
349 - Flying J	2,216,568.60
350 - Mid-Central/Sysco Food	2,214,451.70
351 - Danskin	2,197,675.46
352 - Buster Brown Apparel	2,189,324.57
353 - Aircap Ind	2,188,651.19
354 - Health-Tex	2,186,393.57
355 - Dependable Rug Mills	2,184,173.76
356 - Mura	2,175,467.63
357 - ARI-Danal	2,172,320.78
358 - Martin Mfg	2,170,035.29
359 - Wick Construction	2,160,666.00
360 - I Ski Skiglasses	2,158,060.53
361 - Mag Instrument	2,156,172.36
362 - Parker Brothers	2,148,768.57
363 - J L Prescott	2,147,317.19
364 - Truman Arnold	2,134,785.66
365 - State of Washington	2,124,708.61
366 - Mikimoto America	2,119,923.32
367 - Army Times Publ Co	2,107,996.42
368 - Franklin Chairs	2,107,091.44
369 - Thompson Medical	2,103,841.45
370 - Eagle Distributors	2,101,278.84
371 - Atlantic Wine & Spirits	2,095,935.36
372 - Northern Electric	2,095,633.61
373 - Smoke Craft	2,089,585.80
374 - Landmark Dist	2,087,905.01
375 - IBM	2,086,760.32
376 - Cleo Wrap	2,084,447.13
377 - Wilton/Copco	2,083,518.64
378 - Anchor Swan	2,081,462.14
379 - Atlas Dist	2,072,589.48
380 - Intertrans Airfreight	2,069,877.39
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382 - Aris Isotoner	2,062,536.43
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386 - Bic Pen	2,042,159.72
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389 - Allen-A	2,028,879.17
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391 - Weider Health & Fitness	2,002,477.27
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397 - Amer Home Foods	1,962,129.98
398 - Goodmark Foods	1,945,436.10
399 - Soft Care Apparel	1,938,220.76
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454 - Armor All Products	1,673,952.18
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456 - Bugle Boys	1,660,188.63
457 - Western Publishing	1,660,019.68
458 - OH Scott & Sons	1,659,839.71
459 - Franklin Computer	1,659,733.40
460 - Halsey Taylor Thermos	1,657,372.65
461 - L'eggs Products	1,656,534.96
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465 - Fabil Mfg	1,635,850.43
466 - IMWRF-Puerto Rico	1,631,119.76
467 - Excell Home Fashions	1,630,836.72
468 - Thorsen Tool	1,628,948.68
469 - Holson	1,625,264.83
470 - Whitmans Chocolates	1,620,734.49
471 - Koss	1,620,148.59
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474 - Totes	1,599,037.50
475 - Teledyne Water Pik	1,598,569.79
476 - Rubbermaid Speciality	1,592,497.72
477 - TDK Electronics	1,589,582.04
478 - Harper Leather Goods	1,583,693.85
479 - Admiral Int'l	1,581,781.17
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481 - Above The Belt	1,578,258.70
482 - Citicorp Diners Club	1,575,437.41
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485 - Cannondale	1,552,966.86
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487 - The Dial Corp	1,546,405.87
488 - The Games Gang Ltd	1,544,640.15
489 - Pacific Electricord	1,543,216.01
490 - Denmark Military	1,541,404.82
491 - Brother Intl	1,530,350.15
492 - Libbey Glass	1,522,251.30
493 - Pony Sports & Leisure	1,516,117.15
494 - AH Robins	1,513,176.27
495 - Gerber Furniture Grp	1,507,709.97
496 - N Goldring	1,504,668.88
497 - Kolcraft Prod	1,503,757.98
498 - White Stag Mfg	1,499,230.18
499 - Child Craft	1,493 [illegible]0.46
500 - Southern Wine & Spirits	1,487 [illegible]0.18
501 - Bicycle Corp of Amer	1,486,880.87
502 - Dynamic Classics Ltd	1,481,814.72
503 - Evenflo Juvenile Furn	1,477,472.60
504 - Shared Financial Sys	1,477,141.24
505 - Byn Mar	1,474,377.97
506 - Harris & Harris Assoc	1,473,799.80
507 - Tonys Pizza Service	1,471,336.22
508 - Textile Care Lndry Prod	1,463,556.72
509 - AT Cross	1,461,798.27
510 - Xidex	1,457,130.76
511 - Saranac Glove	1,447,496.81
512 - Soundesign	1,436,073.94
513 - LM Sandler & Sons	1,435,531.93
514 - Sullivan Wholesale	1,432,970.97
515 - Borden Cons Prod	1,430,832.81
516 - Saturdays Group	1,422,745.14
517 - Kenner Products	1,420,693.30
518 - Arista Ent	1,413,142.01
519 - Weiner News	1,407,090.12
520 - Alcan Builders	1,406,756.31
521 - Interstate Brands	1,406,551.23
522 - Tosyali Int	1,405,378.08
523 - Foremost Dairies	1,404,071.44
524 - L&L	1,393,197.22
525 - Koret of Calif	1,392,581.14
526 - General Time	1,390,945.74
527 - O'Sullivan Ind	1,390,251.27
528 - Crest Craft	1,388,886.40
529 - JBL Professional	1,387,347.57
530 - Advance Seed	1,387,333.60
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532 - Lego Systems	1,364,720.20
533 - Ferrel Dist	1,373,102.84
534 - Andover Togs	1,371,506.89
535 - A&M Records	1,371,237.34
536 - Ralston Purina	1,370,364.91
537 - Multiplies	1,369,686.69
538 - Pepsi Cola Bottling	1,368,932.16
539 - Mead Products	1,364,826.60
540 - Hampton Ind	1,364,809.68
541 - Rawlings Sptg Goods	1,360,509.52
542 - Allegan Pharm	1,358,615.05
543 - Tyco NPC Account	1,356,973.41
544 - St Ives Labs	1,350,658.31
545 - BF Goodrich Tire	1,341,376.14
546 - Liz Claiborne	1,330,605.53
547 - Seymour Div	1,329,957.83
548 - K&L Distributors	1,329,079.93
549 - California Trends	1,328,806.34
550 - M Grumbacher	1,328,016.33
551 - Bean Station	1,325,948.73
552 - Gekay Sales & Serv	1,322,872.91
553 - Monster Cable Int'l	1,322,176.18
554 - Doskocil Mfg	1,311,629.30
555 - Healy Wholesale	1,311,419.13
556 - Sweda Int'l-PR	1,308,195.82
557 - Amer Lock	1,306,052.79
558 - CD et Cie	1,306,005.25
559 - Botany 500	1,305,106.93
560 - Ross Laboratories	1,304,705.42
561 - Califashions	1,303,451.75
562 - Ocean Spray Cranb	1,300,310.99
563 - Gold Eagle Prod	1,297,532.80
564 - Ambassador Shoe	1,293,513.37
565 - Sauder Woodworking	1,292,720.79
566 - Muscogee News	1,292,498.07
567 - Champion Spark Plug	1,291,542.40
568 - Sega of America	1,289,986.50
569 - Paradise Beverages	1,288,115.34
570 - Bernard Cap	1,282,359.12
571 - Neutrogena	1,278,551.47
572 - Sayre Enterprises	1,277,982.72
573 - Charlotte Charles	1,277,151.26
574 - Olin	1,277,055.18
575 - Cooper Sportsware Mfg	1,266,464.11
576 - Doskocil Sausage	1,264,032.70
577 - Alko Dist	1,259,315.80
578 - Rolfs/Amity Leather	1,258,378.54
579 - Glazers Wholesale Drug	1,256,686.42
580 - Dennison Mfg	1,255,274.50
581 - Estech Brnd Fertilz	1,252,014.95
582 - Hanes Knitware	1,250,107.42
583 - Burroughs Wellcome	1,249,503.46
584 - Magic Chef	1,248,227.48
585 - Prince Matchabelli	1,247,330.26
586 - Pepsi-Cola Bottling	1,246,315.79
587 - Green Giant	1,245,109.53
588 - Susan Crane	1,243,234.86
589 - Igloo	1,239,602.65
590 - Del Monte	1,239,505.11
591 - Turtle Wax	1,236,355.16
592 - Prince Mfg	1,235,085.08
593 - Alan White	1,234,596.32
594 - Noxell	1,234,455.15
595 - Helene Curtis Ind	1,231,969.17
596 - Enesco Imports	1,231,217.33
597 - Star Kist Seafood	1,231,121.06
598 - Scholl	1,222,448.07
599 - Chaus	1,221,663.56
600 - A&W Brands	1,221,201.94
601 - The Credo Co	1,213,209.43
602 - Food Service Supplies	1,211,923.87
603 - G Heileman Brewing	1,210,182.48
604 - Gran Prix	1,209,935.18
605 - B&B Beverage	1,208,954.44
606 - Welch Foods	1,206,200.65
607 - Lewis Bear	1,206,184.80
608 - Sperry Topsider	1,203,503.39
609 - Countryside Herb Farm	1,202,227.26
610 - Pepsi-Cola Bottling	1,201,580.44
611 - JFC International	1,192,142.02
612 - Service Distributing	1,190,186.80
613 - Coty	1,185,505.63
614 - King Provision Ltd	1,184,869.84
615 - Mit Con	1,179,548.61
616 - Parfums Stern	1,178,932.98
617 - Jesco	1,178,017.11
618 - Trimfit	1,175,644.46
619 - Pro Kennex	1,175,362.85
620 - Jarke	1,174,222.97
621 - Centex Periodicals	1,171,150.47
622 - Cable Elec Prod	1,170,570.87
623 - Dan River	1,163,634.48
624 - Miles Laboratories	1,159,994.56
625 - Houbigant	1,158,772.39
626 - Nat'l Distrib	1,157,487.83
627 - Schering	1,146,108.17
628 - Buck Knives	1,145,485.18
629 - Better Brands	1,144,231.36
630 - Tambrands	1,142,493.54
631 - NCR Comten	1,139,191.57
632 - Innovative Time	1,136,683.10
633 - MS Distributing	1,135,682.77
634 - Russell Stover Candies	1,133,929.91
635 - Aramis	1,132,999.64
636 - Okidata	1,130,867.10
637 - JJ Calico Footware	1,129,186.03
638 - McCarty Foods	1,124,225.18
639 - General Housewares	1,124,023.16
640 - Anchorage Cld Strg	1,115,307.05
641 - CRP/Beacon Hose Mfg	1,114,484.46
642 - Island Beverage	1,107,911.25
643 - McCain Foods	1,105,349.30
644 - Gibson Greeting Cards	1,103,497.68
645 - Epilady USA	1,102,540.35
646 - Swatch Watch USA	1,098,212.88
647 - Sahara Club	1,096,147.53
648 - Cosmo Comm	1,092,700.26
649 - Adidas USA	1,092,574.51
650 - Pacific Trail	1,090,988.40
651 - Zippo Mfg	1,089,868.42
652 - Hawaiian Host Candies	1,007,518.73
653 - Ettenne Aigner	1,085,391.35
654 - Stanley Tools	1,080,577.15
655 - Zebco	1,080,301.52
656 - Ipanema Shoes	1,078,462.16
657 - Folgers Coffee	1,077,069.32
658 - Fulton Industries	1,076,857.75
659 - Bunte Candies	1,076,277.13
660 - Artic Circle Ent	1,075,491.69
661 - Combe	1,073,133.20
662 - Her Majesty Ind	1,071,250.92
663 - Ocean Pacific Shorts	1,068,236.25
664 - The Cooper Group	1,067,973.99
665 - Alaska Distributors	1,067,872.46
666 - Yale Materials Handling	1,067,630.01
667 - Firestone Tire & Rubber	1,065,668.49
668 - Alberto-Culver	1,064,015.90
669 - Ultra Software	1,063,015.81
670 - Penn Athletic Prod	1,061,731.92
671 - Lowell Shoe	1,057,184.87
672 - Newville Shoe	1,053,772.26
673 - Russ Berrie & Co	1,052,569.13
674 - Bahlsen	1,051,879.27
675 - Buckingham Wile	1,049,993.07
676 - Jensen Sound Labs	1,047,769.24
677 - Ramfjeld & Co	1,044,228.58
678 - Goodtimes/Kids Klas	1,044,171.27
679 - Styl Land	1,044,018.41
680 - Gulf Printing	1,036,812.87
681 - Couch Dist	1,036,592.00
682 - Fort Howard	1,035,780.23
683 - Southern Maurice	1,035,683.71
684 - John Thomas Batts	1,035,561.95
685 - Blauer Mfg	1,034,105.56
686 - Sensormatic Electronics	1,032,743.52
687 - Anderson News	1,030,313.04
688 - Hygiene Ind	1,025,378.35
689 - Plantation Patterns	1,022,474.26
690 - Dawn Creations	1,021,837.11
691 - Camptown Togs	1,021,319.78
692 - Spencers	1,019,758.99
693 - J Hofert	1,019,360.92
694 - Midway Sales	1,018,811.99
695 - Memorex	1,017,851.38
696 - Swift Eckrich	1,017,752.57
697 - Associated Dist	1,014,043.33
698 - Kem Distributing	1,010,530.87
699 - Dilbeck and Sons	1,008,790.79
700 - Youngs Market	1,007,518.34
701 - Avia Athletic Footware	1,002,037.89
702 - Amextra	1,001,639.78

Military Market

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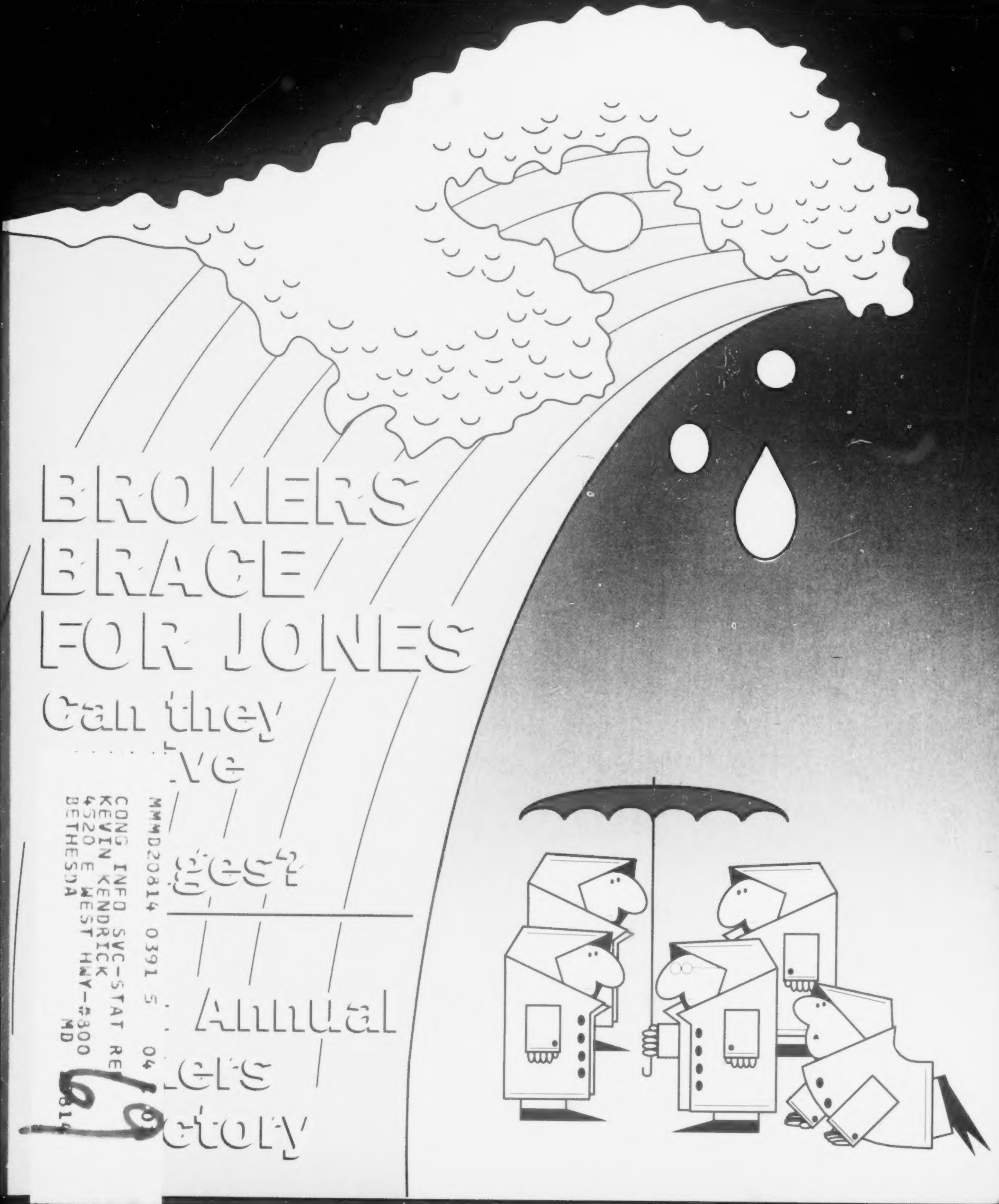

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STEVE ELFERS

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COVER DESIGN BY JOHN MANZO

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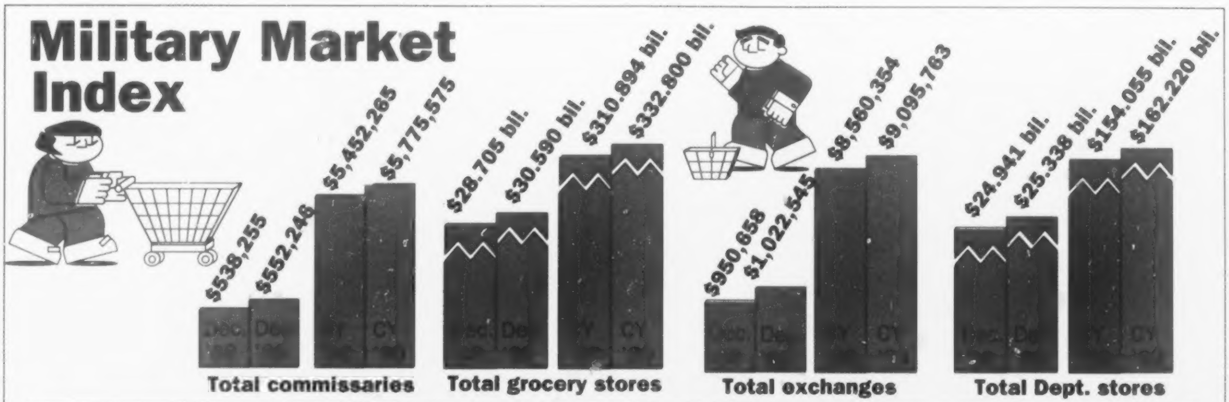

COMMISSARIES		DECEMBER			YEAR-TO-DATE		
		CY'88	CY'89	% CHANGE	CY'88	CY'89	% CHANGE
	CONUS	$133,140	$138,495	+ 4.02	$1,402,625	$1,478,612	+ 5.42
	OVERSEAS	51,765	52,345	-0.81	526,260	535,500	+ 1.76
ARMY	**TOTAL**	**184,905**	**189,840**	**+ 2.67**	**1,928,885**	**2,014,112**	**+ 4.42**
	CONUS	201,639	202,476	+ 0.42	2,010,272	2,164,105	+ 7.65
	OVERSEAS	44,628	44,635	+ 0.02	451,307	467,528	+ 3.59
AIR FORCE	**TOTAL**	**246,267**	**247,111**	**+ 0.34**	**2,461,579**	**2,631,633**	**+ 6.91**
	CONUS	81,017	88,048	+ 8.68	792,933	848,974	+ 7.07
	OVERSEAS	9,334	9,683	+ 3.74	89,514	92,432	+ 3.26
NAVY	**TOTAL**	**90,351**	**97,731**	**+ 8.17**	**882,447**	**941,406**	**+ 6.68**
	CONUS	15,741	16,556	+ 5.18	168,905	177,212	+ 4.92
	OVERSEAS	400	329	-17.75	3,755	3,794	+ 1.04
MARINE CORPS	**TOTAL**	**16,141**	**16,885**	**+ 4.61**	**172,660**	**181,006**	**+ 4.83**
	CONUS	325	339	+ 4.31	3,266	3,443	+ 5.42
	OVERSEAS	266	340	+ 27.82	3,428	3,975	+ 15.96
COAST GUARD	**TOTAL**	**591**	**679**	**+ 14.89**	**6,694**	**7,418**	**+ 10.82**
	CONUS	$431,862	$445,914	+ 3.25	$4,378,001	$4,672,346	+ 6.72
	OVERSEAS	$106,393	$106,332	-0.06	$1,074,264	$1,103,229	+ 2.70
ALL COMMISSARIES	**TOTAL**	**$538,255**	**$552,246**	**+ 2.60**	**$5,452,265**	**$5,775,575**	**+ 5.93**

EXCHANGES		DECEMBER			YEAR-TO-DATE		
	CONUS	$394,543	$446,030	+ 13.05	$3,452,379	$3,858,620	+ 11.77
	OVERSEAS	272,461	281,877	+ 3.46	2,680,231	2,822,066	+ 5.29
AAFES	**TOTAL**	**667,004**	**727,907**	**+ 9.13**	**6,132,610**	**6,680,686**	**+ 8.94**
	CONUS[3]	1,514	1,830	+ 20.87	15,297	15,089	-1.36
	OVERSEAS[3]	2,637	3,619	+ 37.24	24,915	27,456	+ 10.20
MAIL ORDER	**TOTAL**[3]	**4,151**	**5,449**	**+ 31.27**	**40,212**	**42,545**	**+ 5.80**
	ConUS[2]	156,384	162,214	+ 3.73	1,300,006	1,325,766	+ 1.98
	OVERSEAS[2]	65,130	69,862	+ 7.27	559,505	551,500	-1.43
NAVY	**TOTAL**[2]	**221,514**	**232,076**	**+ 4.77**	**1,859,511**	**1,877,266**	**+ 0.95**
	CONUS	41,801	41,28[illegible]	-1.24	377,538	349,456	-7.44
	OVERSEAS	6,769	6,3[illegible]	-6.68	63,746	57,815	-9.30
MARINE CORPS*	**TOTAL**	**48,570**	**47,599**	**-2.00**	**441,284**	**407,271**	**-7.71**
	CONUS[3]	8,766	8,854	+ 1.00	80,724	81,910	+ 1.47
	OVERSEAS[3]	653	660	+ 1.07	6,013	6,085	+ 1.20
COAST GUARD	**TOTAL**[3]	**9,419**	**9,514**	**+ 1.01**	**86,737**	**87,995**	**+ 1.45**
	CONUS	$603,008	$660,210	+ 9.49	$5,225,944	$5,630,841	+ 7.75
	OVERSEAS	$347,650	$362,335	+ 4.22	$3,334,410	$3,464,922	+ 3.91
ALL EXCHANGES	**TOTAL**	**$950,658**	**$1,022,545**	**+ 7.56**	**$8,560,354**	**$9,095,763**	**+ 6.25**

1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolida~~ted sales fo~~r all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

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Military Market

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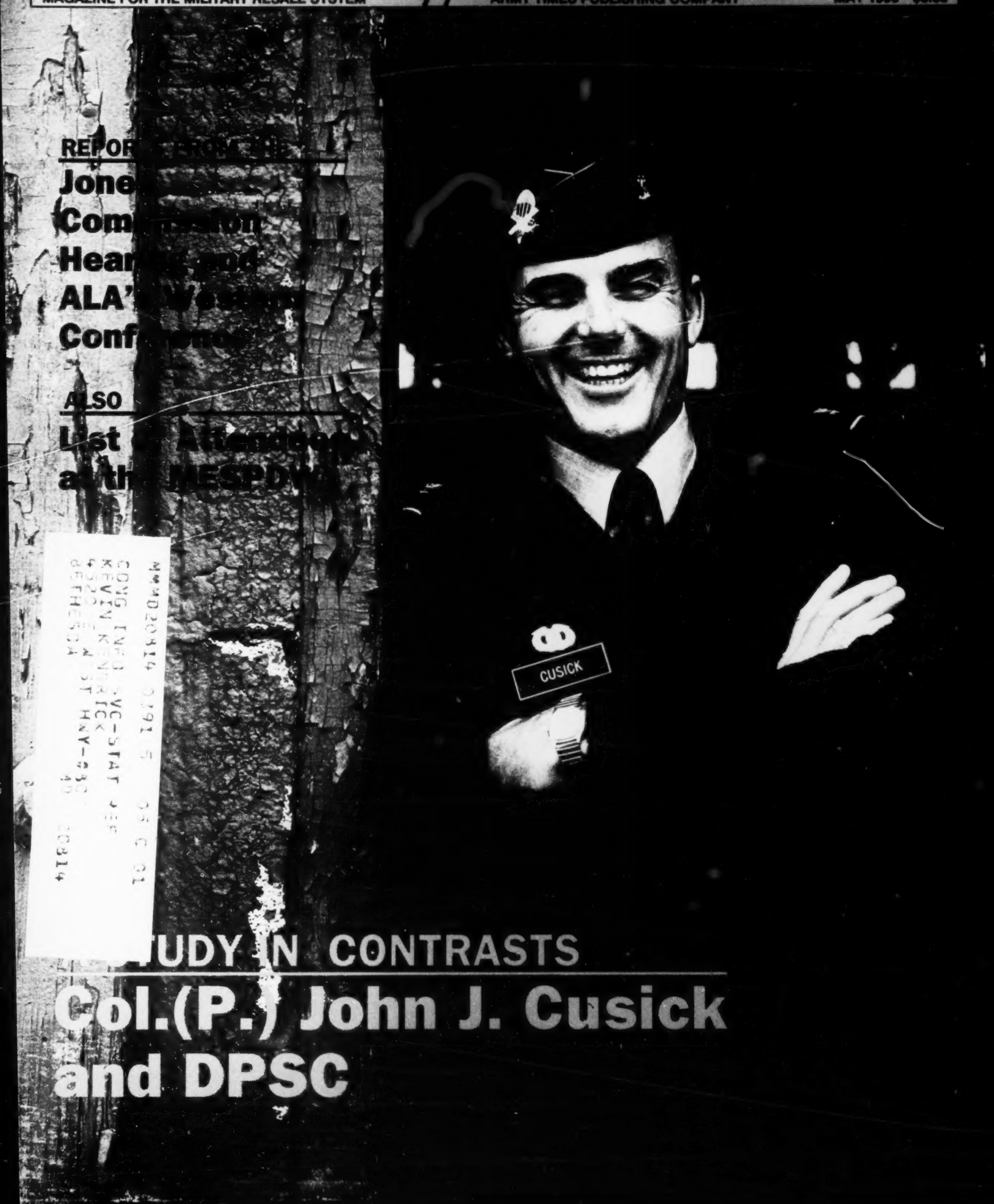

REPORTS FROM THE

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ALSO

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TUDY IN CONTRASTS

Col.(P.) John J. Cusick and DPSC

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Military Market
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EDITORIAL OFFICES
6883 Commercial Drive, Springfield, VA
22159-0210; (703) 750-8676 or
(800) 424-9335; Fax (703) 750-8622
ADVERTISING SALES OFFICES
1 Citicorp Center, 153 East 53rd Street,
New York, NY 10022; (212) 753-1040

6883 Commercial Drive, Springfield, VA
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Angeles, CA 90067; (213) 203-8185

C.P.O, Box 684, Tokyo, Japan; 03-447-7362

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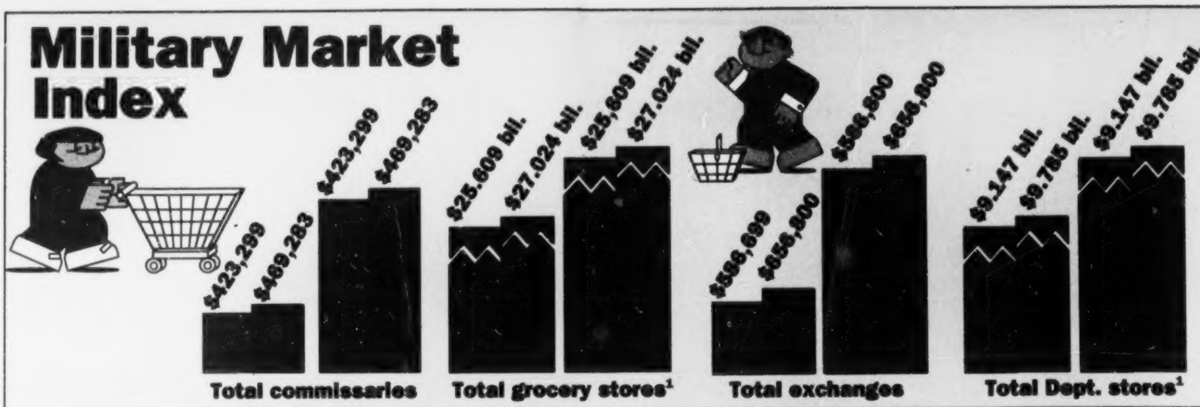


COMMISSARIES		JANUARY			YEAR-TO-DATE		
		CY'89	CY'90	% CHANGE	CY'89	CY'90	% CHANGE
	CONUS	$110,990	$121,905	+9.83	$110,990	$121,905	+9.83
	OVERSEAS	42,000	42,525	+1.25	42,000	42,525	+1.25
ARMY	TOTAL	**152,990**	**164,430**	**+7.48**	**152,990**	**164,430**	**+7.48**
	CONUS	156,979	178,218	+13.53	156,979	178,218	+13.53
	OVERSEAS	33,138	38,331	+15.67	33,138	38,331	+15.67
AIR FORCE	TOTAL	**190,117**	**216,549**	**+13.90**	**190,117**	**216,549**	**+13.90**
	CONUS	59,179	65,208	+10.19	59,179	65,208	+10.19
	OVERSEAS	6,842	7,222	+5.55	6,842	7,222	+5.55
NAVY	TOTAL	**66,021**	**72,430**	**+9.71**	**66,021**	**72,430**	**+9.71**
	CONUS	13,314	15,076	+13.23	13,314	15,076	+13.23
	OVERSEAS	285	273	–4.21	285	273	–4.21
MARINE CORPS	TOTAL	**13,599**	**15,349**	**+12.87**	**13,599**	**15,349**	**+12.87**
	CONUS	256	260	+1.56	256	260	+1.56
	OVERSEAS	316	265	–16.14	316	265	–16.14
COAST GUARD	TOTAL	**572**	**525**	**–8.22**	**572**	**525**	**–8.22**
	CONUS	$340,718	$380,667	+11.72	$340,718	$380,677	+11.72
	OVERSEAS	$82,581	$88,616	+7.31	$82,581	$88,616	+7.31
ALL COMMISSARIES	TOTAL	**$423,299**	**$469,283**	**+10.86**	**$423,299**	**$469,283**	**+10.86**

EXCHANGES		JANUARY			YEAR-TO-DATE		
	CONUS	$237,650	$280,099	+17.86	$237,650	$280,099	+17.86
	OVERSEAS	200,477	214,638	+7.06	200,477	214,638	+7.06
AAFES	TOTAL	**438,127**	**494,737**	**+12.92**	**438,127**	**494,737**	**+12.92**
	CONUS[2]	838	1,015	+21.12	838	1,015	+21.12
	OVERSEAS[2]	1,066	1,750	+64.17	1,066	1,750	+64.17
MAIL ORDER	TOTAL[3]	**1,904**	**2,765**	**+45.22**	**1,904**	**2,765**	**+45.22**
	ConUS[4]	79,272	87,574	+10.47	79,272	87,574	+10.47
	OVERSEAS[4]	37,788	38,390	+1.59	37,788	38,390	+1.59
NAVY	TOTAL[4]	**117,060**	**125,964**	**+7.61**	**117,060**	**125,964**	**+7.61**
	CONUS	18,465	22,842	–23.70	18,465	22,842	–23.70
	OVERSEAS	3,897	3,034	–22.15	3,897	3,034	–22.15
MARINE CORPS*	TOTAL[2]	**22,362**	**25,876**	**+15.71**	**22,362**	**25,876**	**+15.71**
	CONUS[2]	6,662	6,862	+3.00	6,662	6,862	+3.00
	OVERSEAS[2]	584	596	+2.05	584	596	+2.05
COAST GUARD	TOTAL[2]	**7,246**	**7,458**	**+2.93**	**7,246**	**7,458**	**+2.93**
	CONUS	$342,887	$398,392	+16.19	$342,887	$$398,392	+16.19
	OVERSEAS	$243,812	$258,408	+5.99	$243,812	$258,408	+5.99
ALL EXCHANGES	TOTAL	**$586,699**	**$656,800**	**+11.95**	**$586,800**	**$656,800**	**+11.95**

1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1990 are not comparable to 1989 sales.

Marty Baumann

1989 Million-Dollar Suppliers to Navy Exchanges

This is a list of 183 suppliers who did $1 million or more in worldwide business with Navy exchanges during fiscal year 1989, which ran from February 1989 to January 1990.

Companies are listed in descending order of their worldwide *gross* sales; these figures *do not* include vendor discounts which may have been supplied. Payment amounts were compiled from invoices of companies on the list of all suppliers on NAVRESSO's prepaid system. Dollar amounts were collected from all ConUS and overseas regions, and were merged, compiled and reported by finance personnel at the headquarters of the Navy Resale and Services Support Office.

Note that, in some cases, especially soda bottlers, payments to separate firms have been consolidated to show as a single payment. In some other cases (Pepsi and Eurpac, for example), payments are shown as being made to different companies.

A similar listing of 1989's $1 million suppliers to the Army and Air Force Exchange Service was published by **MILITARY MARKET** in the March 1990 issue. Because the NAVRESSO list shows gross payments, and the AAFES list shows net payments, the two lists are not comparable.

Readers who wish to obtain a free complete copy of the AAFES list, which shows both ConUS and offshore net payment amounts, should contact **MILITARY MARKET MAGAZINE**, 6883 Commercial Dr., Springfield, VA 22159-0210, and ask for a copy of the AAFES Million Dollar Vendor List.

Rank	Firm	WW Gross Payments
1	Philip Morris	$28,687,151
2	Gasco Gasoline	20,980,295
3	Coca Cola (consolidated)	19,917,237
4	R.J. Reynolds Tobacco	19,871,340
5	Pepsi Cola (consolidated)	11,098,052
6	Sharp Electronics	10,241,087
7	Brown & Williamson Tobacco	10,066,971
8	American Greetings	9,362,691
9	Eurpac West	9,288,638
10	Procter & Gamble	9,245,049
11	Levi Strauss	8,286,039
12	American Tobacco	7,953,560
13	Eastman Kodak	7,884,350
14	Nike Inc.	7,738,098
15	Anheuser Busch	7,548,952
16	JVC Co.	7,461,018
17	Chevron USA	7,136,334
18	Wolverine World Wide	7,067,038
19	Dreyfus Energy	6,939,452
20	Whirlpool Corp.	6,752,679
21	Promana Inc.	6,653,968
22	Eurpac East	6,528,048
23	Hanes	6,032,534
24	Citgo Petroleum	6,024,375
25	RTA International	6,993,957
26	Frito Lay Inc.	5,757,271
27	Revlon Government Sales	5,720,468
28	Creighton Inc.	5,706,136
29	ARA Services Magazines & Books	5,411,964
30	Sony	5,390,382
31	Liz Claiborne	5,054,357
32	Exxon Co.	5,012,107
33	Thomson Consumer-RCA	4,978,941
34	Zenith Electronics	4,800,484
35	Panasonic	4,684,873
36	Vanguard Military Equipment	4,198,198
37	Nintendo of America	4,058,237
38	Seagoing Uniform Corp.	4,048,221
39	Lorillard	4,044,746
40	Bib Distributing	3,949,274
41	John K. Kealy Co.	3,947,519
42	Lieberman Enterprises Inc.	3,910,681
43	Commodore Business Machines	3,780,594
44	Miller Brewing Co.	3,769,309
45	Mansfield Oil Co.	3,759,355
46	Black & Decker	3,631,318
47	Reebok International	3,615,177
48	Applied Graphics	3,572,233
49	C. Lloyd Johnson Co.	3,562,973
50	Texaco	3,509,652
51	NCR Corp.	3,446,306
52	Southern Apparel	3,433,615
53	Beverages, Foods & Services (Pepsi)	3,426,900
54	Rivercity Petroleum	3,408,873
55	Joseph E. Seagram & Sons	3,381,109
56	3M Corp.	3,374,293
57	Goodyear International	3,350,088
58	BP Oil	3,246,492
59	Vanguard Industries West	3,213,427
60	M&M Mars	3,133,673
61	VSA	3,038,324
62	Pioneer Electronics	3,007,832
63	Weintraub Brothers	2,907,953
64	M.J. Soffe	2,891,492
65	B. Lippman	2,864,293
66	Fieldcrest Cannon Mills	2,762,294
67	Monarch Crown Corp.	2,715,233
68	Gillette Co.	2,711,349
69	Belcher Gas Co.	2,709,084
70	Handleman Co.	2,698,146
71	AT&T Consumer Products	2,685,417
72	Apple Computer	2,677,034
73	Encore International	2,666,663
74	Gruen Marketing Group	2,594,800
75	Davis Clothing Co.	2,554,827
76	Nabisco Brands	2,550,682
77	Pauling & Co.	2,547,087
78	Southern Wine & Spirits	2,534,375
79	Associated Distributors	2,495,654
80	Ogden Foods	2,436,289
81	Johnson & Johnson	2,370,765
82	Haggar Apparel	2,,361,319
83	Fisher Price Toys	2,340,558
84	Brigade Brands	2,248,645
85	Teleflora Inc.	2,241,664
86	Minolta	2,115,812
87	Jockey International	2,104,984
88	Eveready Battery	2,086,034
89	Pendleton Woolen Mills	2,084,041
90	Duval Spirits Co.	2,075,933
91	Hawaiian Isles Distributors	2,055,331
92	Huffy Corp.	2,034,670
93	Gucci	2,002,605
94	Kenwood USA Corp.	2,001,088
95	Washington State Liquor Control Board	1,998,925
96	Rubbermaid	1,998,850
97	N.V. Spring	1,988,450
98	Elizabeth Arden	1,962,008
99	Michelin Tire	1,949,066
100	Polaroid Corp.	1,942,747
101	Youngs Market	1,922,183
102	Timex Corp	1,903,943
103	Philips Consumer	1,882,834
104	Mattel Toys	1,881,592
105	Koret of California	1,839,652
106	Gator Warehouse	1,831,433
107	Flemming Co.	1,830,161
108	Maidenform	1,781,308
109	Orit	1,759,036
110	Waterford Wedgewood	1,731,966
111	Eagle Distributors	1,726,866
112	Hershey Chocolate	1,726,463
113	Hiram Walker	1,725,312
114	American Distributors	1,704,772
115	Consolidated Distributing Co.	1,655,244
116	N. Goldring Corp.	1,562,730
117	Hoffman Beverage	1,631,920
118	Heublein Inc.	1,592,283
119	James River Corp.	1,590,084
120	MDS Unlimited/Tass	1,584,524
121	Samsonite Luggage	1,574,487
122	Arrow Co.	1,565,864
123	Chevron Chemical	1,565,125
124	Jim Beam Brands	1,542,767
125	F.H. Anthony Associates	1,537,840
126	Warner Lambert	1,537,063
127	Gulf Products	1,502,950
128	A.B. Distributors	1,473,590
129	Kimberly Clark Corp.	1,466,214
130	Designer Fragrance of Mens	1,462,658
131	Palisades Wholesale	1,460,376
132	Colgate Palmolive	1,443,216
133	Hilborn Hamburger	1,439,302
134	National Vendor	1,410,370
135	Gekay Sales & Service	1,403,929
136	Robert Tabakow	1,392,606
137	Norfolk Beverage	1,380,764
138	Planters Lifesavers Co.	1,352,854
139	Bose Corp.	1,347,451
140	Artex Mfg.	1,344,470
141	Bugle Boy	1,336,369
142	Bacardi Imports	1,326,403
143	Lenox	1,324,210
144	Sandberg & Sikorski	1,311,778
145	Eureka Co.	1,291,666
146	Kayser Roth Hosiery	1,282,656
147	Old Dominion Tobacco	1,280,996
148	Gallo Winery	1,236,202
149	Murray Ohio Manufacturing	1,219,561
150	Smith Corona	1,216,451
151	Playtex	1,205,239
152	Gold Star Electronics	1,202,344
153	Munson Sporting Goods	1,180,124
154	Mercury Luggage	1,145,475
155	Velva Sheer Manufacturing	1,138,702
156	Seven Up (consolidated)	1,133,160
157	Estee Lauder	1,115,085
158	Playskool Inc.	1,102,284
159	Bausch & Lomb	1,100,903
160	Neal Tyler & Sons	1,093,338
161	Hoover Co.	1,079,856
162	Shell of Puerto Rico	1,075,032
163	Calvin Klein	1,070,261
164	Baskin Robbins	1,063,091
165	Glidden	1,158,539
166	Oster	1,057,521
167	Samsung Electronics	1,056,902
168	Pennzoil	1,055,861
169	Atlantic Wine & Spirits	1,055,009
170	Stroh Brewery	1,041,977
171	Hecht Distributing Co.	1,037,986
172	Bulova Watch	1,033,606
173	Lever Brothers	1,029,805
174	Symphonic Corp.	1,028,826
175	Pentax	1,018,784
176	Island Beverage Co.	1,014,053
177	Oshkosh B Gosh	1,011,925
178	Coleman Co.	1,011,661
179	Star Micronics	1,007,364
180	Corning Inc.	1,005,448
181	Imperial World	1,004,573
182	Service Electronics	1,001,542
183	W.C. Bradley Co.	1,001,426

Market Report

In the World of Juice and Soft Drinks

To Quench the

by Michelle Zelsman, Associate Editor

JUICED-UP BY HEALTH concerns, military parents are rearing their children on natural drinks. Claims by many beverage manufacturers that "we are the No. 1 (fill in the blank)" should put the current generation of military brats in fine fettle.

The continuing "it's good for you, America" trend has been a major contributor to the success the juice business has savored over the past decade, according to many industry sources.

Besides the health trend, the current buzz word for the juice industry is "refreshing," said Robert O'Toole, military sales manager for Ocean Spray Cranberries, Inc. O'Toole told MILITARY MARKET that today's health-educated shopper wants two things: to buy a good-for-you additive-free product and also to be refreshed at the same time.

"Ocean Spray is a pioneer" in the juice industry, according to O'Toole. The company's most recent venture is a shelf-stable concentrate in aseptic packaging. He said other companies "are watching closely" to see what happens with the new product before introducing similar items. The new product is a "straight concentrate," which is mixed with water to the consumer's taste. O'Toole said the shelf-stable concentrate will provide "huge savings" to shoppers over its own 48-ounce bottled product.

Tropicana claims it's No. 1 in the chilled, ready-to-serve juice category, appealing to families with little time for food preparation. Terri Holloway, manager of employee and community relations, said the past five years have been "phenomenal" for Tropicana, due to a combination of new introductions, new packaging and more convenience offered to consumers.

She told MILITARY MARKET that "every 100 days, we come out with new packaging or new product ideas." Tropicana's goal for the 1990s, Holloway said, is to be the "undisputable leader in the juice and juice drink industry."

Tropicana's flagship — pure premium orange juice, which has "never been reduced to concentrate" — continues to do very well, said Holloway. Consumers "realize quality and are willing to spend extra money for that quality," she added.

The Tropicana Twister, introduced in May of 1988, continues to be the "big seller"in juice drinks for Tropicana, according to Holloway. Largely due to the success of shelf-stable Twister, the company recently released new frozen Twisters in the 12 ounce size. *(See New Products, page 47.)* The frozen product has "a lot of [growth] potential," said Holloway.

While Tropicana continues to be strong in the chilled juice business, Dole is getting out of the category.

Bruce Mack, business and sales manager for special markets at Dole, said his company's chilled juices are being deleted from the military market effective this June because Dole's chilled juices are "not moving in the military."

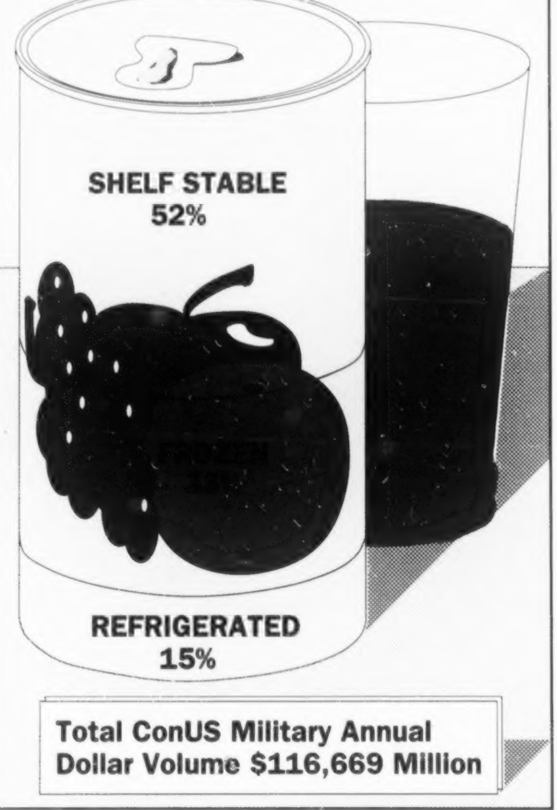
Mack said that there was a lot of cost involved in providing chilled juices to commissaries and that limited shelf space in the stores was not allowing for sufficient profit for the company. He added that the military is "not receptive" to changing times, which require more chilled shelf space in grocery stores.

Holding the No. 1 slot in the frozen category is Coca-Cola Foods' Minute Maid frozen orange juice, said Sabra Clinefelter, sales promotion and administration manager.

Minute Maid captured more than half of the total frozen orange juice category in the military.

BUYING WARM

Fruit juices and fruit drinks are available in three different forms, but military customers clearly prefer to buy their's warm.



Total ConUS Military Annual Dollar Volume $116,669 Million

Source: MAMI

Joanne Ostendorf

the Trend is

Thirst for Health

Large sizes seem to sell better in commissaries, said Clinefelter, who added that this trend is probably due to the military customer's infrequent shopping visits. She said the 96-ounce chilled juice "is coming on stronger [and] doing real well."

In the juice drink category, Capri Sun holds the No. 1 spot, said Bruce MacLaren, director of military sales. "The issue of convenience and the focus on content" seems to be what attract people to Capri Sun's ready-to-drink juice, he said.

MacLaren said he is seeing larger sizes holding strong in the military. Popular among the younger generation, Capri Sun's 10-pack size does well in commissaries. However, a three-pack size, recently introduced in exchanges, has not been profitable. Its future in exchanges is uncertain, added MacLaren.

Outselling all other apple juice in America, Seneca claims the No. 1 spot in this category, according to Robert Swears, military sales manager. The consumer acceptance which Seneca enjoys is due to the fact that Seneca's juice "has been around forever" and that it is seen as a health-oriented product.

Swears said he believes that the anticipated troop reductions could affect Seneca's military sales as much as 30 percent, particularly in Europe. He also said that "the military, as a trade, will take [the cutbacks] on the chin for the next four to five years."

SOFT DRINKS

THE MILITARY'S EMPHASIS on physical fitness means military people drink proportionately more diet sodas than their civilian counterparts. Despite fears that health consciousness would cause soft drink sales to fall, manufacturers say the per capita consumption of carbonated drinks now exceeds all other beverages, including water.

James Pollan, vice president for worldwide military markets at Coca-Cola USA, told MILITARY MARKET that diet products account for a third of all soft drink sales. He also said that diet drinks "continue to grow faster than the industry." As a result, Coca-Cola expects diet soda sales to exceed 50 percent of the market over the next decade.

Coca-Cola USA is introducing a caffeine-free Coke Classic into commissaries. The caffeine-free segment, Pollan believes, is "currently the fastest growing soft drink segment."

Soft drink consumption grew by almost 40 percent during the 1980s, said Pollan. He attributed this to the fact that people are drinking more sodas, they are drinking them more often, and that "there are better tasting diet soft drinks" than before. Pollan expects the trend to continue.

According to Pepsi spokeswoman Leigh Curtin, the so-called "cola wars" have turned into a "pillow fight . . ."

According to Pepsi spokeswoman Leigh Curtin, the so-called "cola wars" have turned into a "pillow fight rather than a real war." To challenge Coca-Cola's dominance, Pepsi "continues to be innovative" with new products.

One of them, Pepsi A.M., a high caffeine morning drink intended to lure coffee drinkers, remains under test in Waterloo, Iowa. *The Wall Street Journal* reported that "at one County Market store, a big Waterloo grocer, sales of diet and regular Pepsi A.M. have slid to 43 cases in late March from 256 cases in December." Andrew Giangola, another Pepsi spokesman, told MILITARY MARKET that the company "intends to give a good hard look [at Pepsi A.M.] before making any decision about its future."

Another product still in the testing stage, Mountain Dew Sports, is a sports drink that is lighter in carbonation and lower in sugar than regular Mountain Dew. Spokeswoman Curtin said the product will be expanded into a second test market, based on early satisfactory results in a first test.

A third new product, H_2Oh!, a bottled water, is "holding its own" in its Denver test market, where there are "10 or more [other] bottled waters." Curtin was unable to say when the test might expand.

As a product group, Dr. Pepper does much better in the military than it does in the civilian market. In 1989, Dr. Pepper, regular and diet types taken together, held about 4.4 percent of total military soft drink market share domestically and 5.3 percent overseas. In a February 1990 Nielsen store report, the two products held about 3.5 percent of the civilian market, according to Ken Couvillion, vice president of military sales for the Dr. Pepper/7-Up Companies. Dr. Pepper and 7-Up do better in the military than in the civilian market, Couvillion said, because the target groups for the two products — 13 year olds to 34 year olds — are proportionately higher in the military than in the civilian business.

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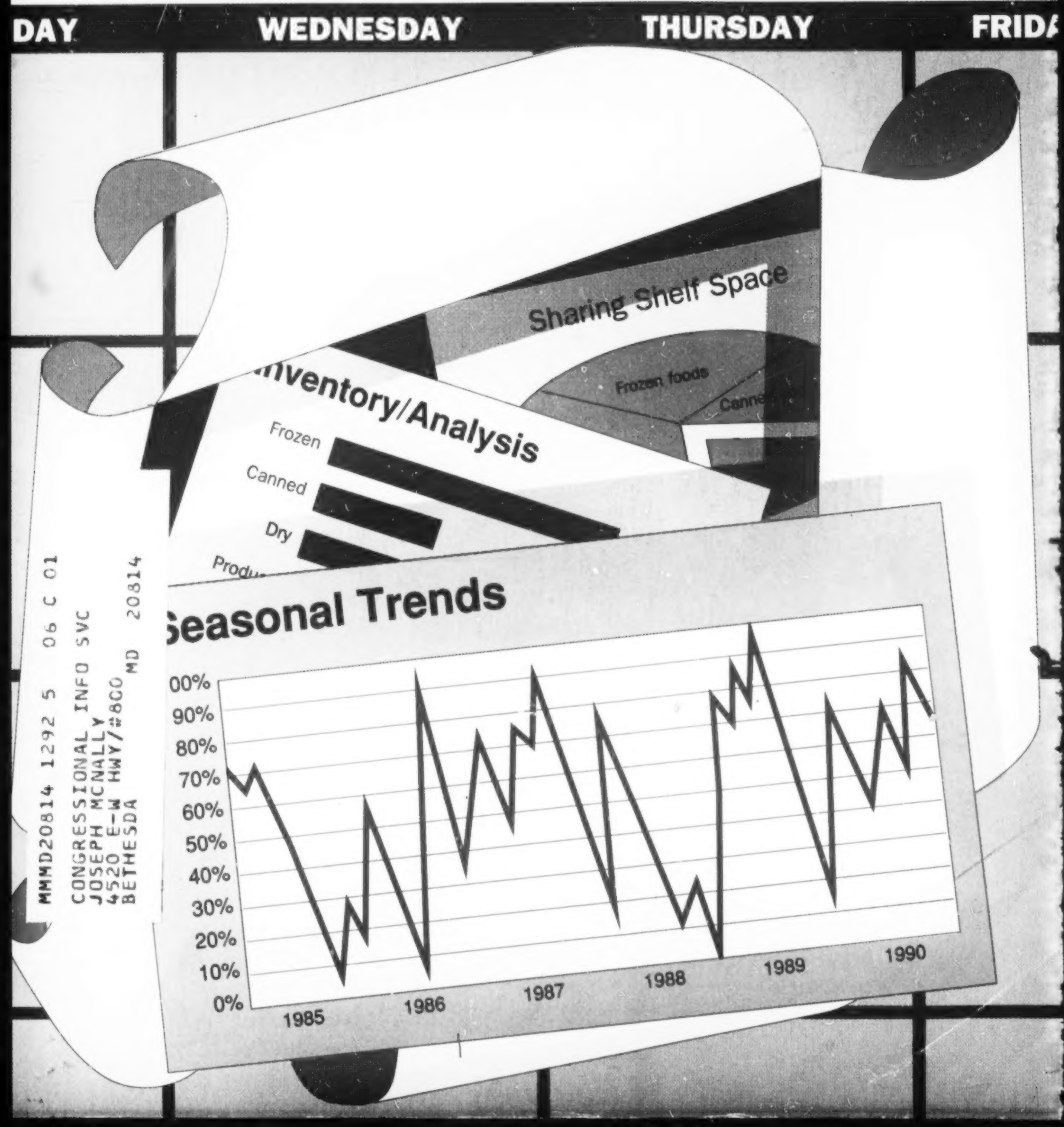
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY JUNE 1990 $6.00

STOP WASTING YOUR MONEY!

How timely analysis of the numbers can work for you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COVER DESIGN by JOANNE OSTENDORF

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MAGAZINE
EDITOR
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MANAGING EDITOR
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ASSOCIATE EDITORS
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ADVERTISING PRODUCTION
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Cynthia Aldridge
PRE-PRESS
Diana Simmons, Larry Christ
Jonathan Cary, I. Bruce Haley

EDITORIAL OFFICES
6883 Commercial Drive, Springfield, VA 22159-0210; (703) 750-8676 or (800) 424-9335; Fax (703) 750-8622
ADVERTISING SALES OFFICES
1 Citicorp Center, 153 East 53rd Street, New York, NY 10022; (212) 753-1040

6883 Commercial Drive, Springfield, VA 22159; (703) 750-8910

20 North Wacker Drive, Chicago, IL 60606; (312) 828-9446

2049 Century Park East, Suite 430, Los Angeles, CA 90067; (213) 203-8185

C.P.O, Box 684, Tokyo, Japan; 03-447-7362

VICE PRESIDENT–EDITORIAL DIRECTOR
James S. Doyle
VICE PRESIDENT–ADVERTISING
Nat Kornfeld
NATIONAL SALES MANAGER
Ed Walsh

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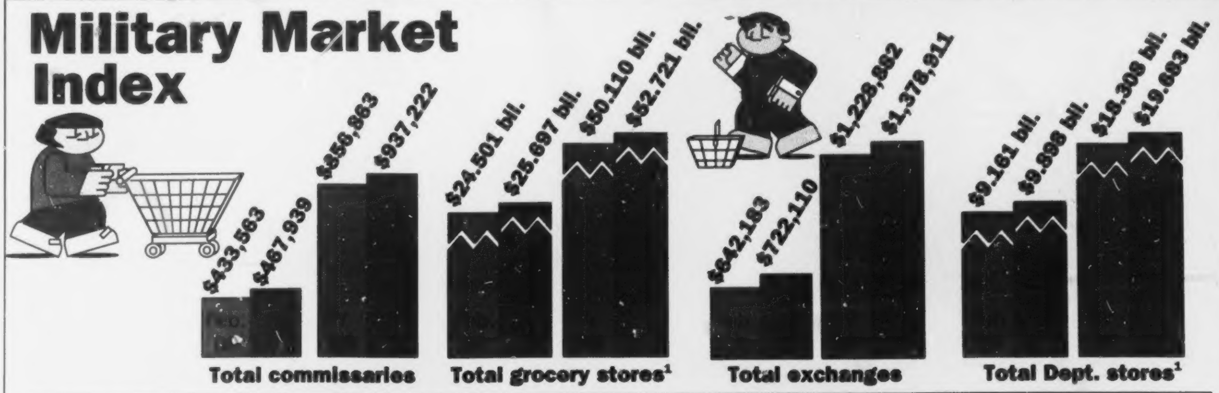
Military Market Index



COMMISSARIES		FEBRUARY			YEAR-TO-DATE		
		CY'89	CY'90	% CHANGE	CY'89	CY'90	% CHANGE
	CONUS	$109,515	$118,650	+8.34	$220,505	$240,555	+9.09
	OVERSEAS	41,055	43,050	+4.86	83,055	85,575	+3.03
ARMY	**TOTAL**	**150,570**	**161,700**	**+7.39**	**303,560**	**326,130**	**+7.44**
	CONUS	162,954	177,313	+8.81	319,933	355,531	+11.13
	OVERSEAS	35,339	38,085	+7.77	68,477	76,416	+11.59
AIR FORCE	**TOTAL**	**198,293**	**215,398**	**+8.63**	**388,410**	**431,947**	**+11.21**
	CONUS	64,349	69,236	+7.59	123,529	134,444	+8.84
	OVERSEAS	7,051	7,564	+7.28	13,893	14,786	+6.43
NAVY	**TOTAL**	**71,400**	**76,800**	**+7.56**	**137,422**	**149,230**	**+8.59**
	CONUS	12,465	13,249	+6.29	25,779	28,325	+9.88
	OVERSEAS	275	237	-13.82	560	510	-8.93
MARINE CORPS	**TOTAL**	**12,740**	**13,486**	**+5.86**	**26,339**	**28,835**	**+9.48**
	CONUS	271	277	+2.21	527	537	+1.90
	OVERSEAS	289	278	-3.81	605	543	-10.25
COAST GUARD	**TOTAL**	**560**	**555**	**-0.89**	**1,132**	**1,080**	**-4.59**
	CONUS	$349,554	$378,725	+8.35	$690,273	$759,392	+10.01
	OVERSEAS	$84,009	$89,214	+6.20	$166,590	$177,830	+6.75
ALL COMMISSARIES	**TOTAL**	**$433,563**	**$467,939**	**+7.93**	**$856,863**	**$937,222**	**+9.38**

EXCHANGES		FEBRUARY			YEAR-TO-DATE		
	CONUS	$257,960	$297,135	+15.19	$495,610	$577,234	+16.47
	OVERSEAS	201,850	226,758	+12.34	402,327	441,397	+9.71
AAFES	**TOTAL**	**459,810**	**523,893**	**+13.94**	**897,937**	**1,018,631**	**+13.44**
	CONUS[2]	1,316	1,238	-5.93	2,154	2,253	+4.60
	OVERSEAS[2]	2,159	2,812	+30.25	3,225	4,561	+41.43
MAIL ORDER	**TOTAL[3]**	**3,475**	**4,050**	**+16.55**	**5,379**	**6,814**	**+26.68**
	ConUS[4]	91,595	97,843	+6.82	170,867	185,418	+8.52
	OVERSEAS[4]	37,801	42,700	+12.96	75,589	81,090	+7.28
NAVY	**TOTAL[4]**	**129,396**	**140,543**	**+8.61**	**246,456**	**266,508**	**+8.14**
	CONUS	36,223	41,343	+14.13	54,687	64,185	+17.37
	OVERSEAS	5,917	4,605	-22.17	9,815	7,639	-22.17
MARINE CORPS*	**TOTAL[2]**	**42,140**	**45,948**	**+9.04**	**64,502**	**71,824**	**+11.35**
	CONUS[2]	6,771	7,067	+4.37	13,433	13,929	+3.69
	OVERSEAS[2]	591	609	+3.05	1,175	1,205	+2.55
COAST GUARD	**TOTAL[2]**	**7,362**	**7,676**	**+4.27**	**14,608**	**15,134**	**+3.60**
	CONUS	$393,865	$444,626	+12.89	$736,751	$843,019	+14.42
	OVERSEAS	$248,318	$277,484	+11.75	$492,131	$535,892	+8.89
ALL EXCHANGES	**TOTAL**	**$642,183**	**$722,110**	**+12.45**	**$1,228,882**	**$1,378,911**	**+12.21**

1) SOURCE: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Because exact figures were not available at press time, Marine Corps exchange figures for February 1990 are estimates. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann for Military Market Magazine

COVER STORY

Charting the Peaks and Valleys Of Commissary Sales

In the "consolidated life" that is the likely future of the resale system, timely and accurate analysis of trends and seasonality will be more than a visual aid to a marketing strategy — it will mean money saved, and it may mean your salvation.

The first of a two-part feature by Associate Editor Karen McBeth.

When Mike Grosse stumbled onto the idea of graphically charting the commissary sales data reported in the monthly MILITARY MARKET *Index, he knew what it would mean for manufacturers. When he told* MILITARY MARKET *what he was up to, we knew what it would mean for our readers.*

Grosse, formerly a national accounts manager for Military Audits of Market Information, called one February day to request copies of several years' worth of the Index, which has been a regular feature of this magazine since 1971. [See related sidebar, page 32.] *He explained that industry sales and marketing people rely on the Index for key information, often filing or reproducing the pages so that they can compare overall sales from month to month, or year to year. He said they use the figures in conjunction with other data (often MAMI's) about performance of their own individual brands and product categories.*

Grosse saw the need for a visual presentation of the sales figures to illustrate (continued) *long-term trends. While such an analysis is commonly done for individual brands or categories, no one seems to have plotted the overall commissary sales figures.*

As he described it during a March interview, he was helping a manufacturer with a budget plan when "it was like the lightbulb came on.

"We were looking at the category trends in peanuts and popcorn and getting a feel for what they were doing in promotions in that time frame. But how did that fit into the total grocery picture? That's where the idea came from."

As Grosse told MILITARY MARKET, *he was "trying to show the manufacturer, so that he in turn could show his management, what was really going on in this [military] business over time. He had to prove to them why he should be promoting [his products] during this time period."*

This is just one example of how MAMI helps manufacturers and brokers to plan their business strategies, and it all comes down to the numbers, many of which come only from MAMI.

However, many sales and marketing people find that there are other numbers at their fingertips which they can also make work for them. One obvious example is the MILITARY MARKET *Index, which appears each month on page 4 of this magazine . . .*

Serious commissary professionals can no longer rely on the "good ole boy" network to sell to the military. The system is more complex than it has ever been, and informed shoppers are demanding more than they ever have. In response, both industry sales people and commissary personnel are becoming more sophisticated.

To remain successful under a consolidated commissary system and in a downsized military, resale officials on all sides have to develop this improved sales and marketing expertise. As the commissary systems consolidate, the combined system will operate more like a civilian retail chain, which means doing less hit-or-miss marketing and more educated planning. And, since there will be only a single system, there will be no second chances to correct mistakes by approaching another service.

Mike Grosse worked for various brokers before he went to MAMI; he has since returned to the brokerage business and is now account manager in sales planning at Eurpac Service Co. Over the years, he has watched the evolution of a business-like approach to the military market.

"Understand, as time has gone on at Military Audits, sophistication has become more and more important," he explained during a March interview, which was conducted while he was still at MAMI. "When I came on board here [at MAMI] two years ago, we were basically just selling reports . . . doing simple top lines for manufacturers."

Grosse said that the "data was too involved for them [manufacturers] to really understand what was going on." So MAMI hired analysts and began using an easy-to-read computer graphics program. As a result, "it's come down to us being the marketing expert for them [manufacturers]."

He added that the manufacturers have "come back to us (as we've gotten sophisticated in the graphics part of it) and they say, 'We want you to take our promotional schedule for the previous year and find out how effective it was. Were our promotions really effective, and were they effective by service? Did we gain a bump [in sales] for the money we spent? And did our competitors gain for the money *they* spent?' "

Grosse says that, as recently as six or seven years ago, he saw a much more casual approach to promotions in the military. Manufacturers' representatives set their voluntary price reductions and then arbitrarily assigned them to various times of the year. "They only looked to see if their volume increased over the year time-period," he said.

> ***. . . in the end, a perfectly planned marketing campaign can be thrown off by the ordering patterns of the commissary systems . . .***

"They didn't get into the kind of sophistication they're getting into today . . . [asking questions like] what is the verity of the market tracking, what is the category doing? What is my share and my volume increases by service, and by region?"

On the military side, too, commissary officials have become more exacting marketers — creating their master stock lists, adding and deleting product lines, assigning shelf space, allocating display areas and ordering product according to new analyses.

But there is still much room for improvement. As the military is downsized and as bases are closed, the customer base will shrink and funding will decrease, so commissary managers and their suppliers must make every decision count. They will have to work together to serve their market better.

The ability to follow detailed sales records and watch marketing trends, Grosse says, has "really gotten almost to the scientific point." But an important part of the analysis means throwing out preconceived ideas about why, when or where a product does or does not sell, according to Tom McDonald, another of the national accounts managers at MAMI.

These beliefs need to be based on the real data, McDonald says, and not on guesswork, or even on traditional thinking about selling in the military. "Through utilizing the pieces of information, they [manufacturers] can get a better handle on what works and what doesn't," he concludes.

READ IT IN THE CHARTS

So what does charting the sales data reveal?

The graphs in this article — visual representations from the most recent four year's worth of MILITARY MARKET Indexes, show peaks and valleys in monthly sales. Some of these can be explained readily, but some are not so easily interpreted. There are some expected patterns, while others reveal a few surprises:

- Calculating the percent sales growth for the four calendar years that were tracked reveals some unexpected results. Overall, commissaries averaged an annual 4.9 percent dollar sales growth between 1986 and 1989, not adjusted for inflation. *[See chart, page 36.]* Last year was the best of the three full years — sales were up 5.9 percent. *[On the graphs on page 34 and 35, the increases are seen as gradually rising lines.]*

The Air Force Commissary Service has had the best overall sales growth of the four systems — on average, 5.4 percent a year over the past four years.

The Navy ranked second in sales growth, with an average annual rate of 4.9 percent.

The Troop Support Agency's growth over the past four years has been 4.6 percent on an annual average.

A loss for Marine Corps commissaries between 1986 and 1987 slowed that service's average annual sales growth to just 2.8 percent over the four-year period.

- The peaks and valleys reveal months where sales are predictably higher or lower than the monthly average. For instance, averaging over the four years, dollar sales in December run about 14 percent higher than the monthly average in any given year. Similarly, February sales seem to run about 12 percent less than the monthly average.

The system is more complex than it has ever been, and informed shoppers are demanding more than they ever have.

The fact that December and February tend to be, respectively, high and low months isn't a real surprise, because of the high holiday sales in December and the shorter number of selling days in February. But the graph helps explain the situation visually.

"People *perceived* that December was the biggest month," Grosse explained. "Everybody knew [that] all their orders and their shipments were so big, but [by charting it] now we can really see how large it is."

- Over the four-year time frame, the shape of the graphs seems to change, sometimes unexpectedly. While May used to be a high sales month, in later years the sales for that month appear to drop back to average. But at the same time, June sales are growing. Sales in July used to hold their own, but now they drop. Sales for all of the agencies used to increase predictably in October, but now October tends to be a slow month. September used to be a low month, but now it is more level for most services. The severe sales declines which show up in November 1986 and November 1987 don't appear in that month in 1988 or 1989.
- There are differences among the services as well. Most of the agencies show only a slight increase in sales during March, but for the Marine Corps this is a strong, growing month. The Marines also have a real valley in August — even lower than the February valley — which the other services don't experience. The Air Force in 1989 goes against another trend — January is the lowest sales month, and February sales improve.

(The graph for the Navy commissary system, which is provided for purposes of illustration, really cannot be used to reveal sales increases or decreases on a month to month basis. This is because the Navy's accounting periods don't correspond to actual days of the month, and every three months there is a five-week accounting period. This explains why the Navy's graph shows a pattern of regular increases and decreases in three-month increments.)

USING MORE DATA

Mike Grosse says that plotting the figures over several years enables commissary marketers to pull out more in-

(Continued on page 36)

The Making of an Index

In June of 1971, along with some other major editorial changes, MILITARY MARKET announced the introduction of a new monthly statistical feature: The MILITARY MARKET Index.

Then-Editor Kenneth Rankin billed it as "an exclusive monthly sales report card on each of the systems — solid, up-to-date marketing data never before available anywhere." The Index rapidly became a standard reference for sales and marketing managers throughout the resale system, with back copies squirreled away in desk drawers around the country.

Where does the data come from? Every month, each commissary and exchange agency provides the Army Times Publishing Company's corporate research department with cash register sales data from the most current month available. The figures are reported for ConUS, overseas and worldwide.

Because it takes time for the services to tally the numbers, the data received by the research department lags by about three months. By the time the information gets into print, it is four months behind the actual month being reported, but is nevertheless the most current available.

The sales figures are the most accurate ones the military agencies have — what is actually in their books — and are reported on a calendar year basis to facilitate comparisons with civilian businesses. Before scanning, the information came directly from cash register receipts, and receipts are still the source for non-scanned stores. For those occasional months when one of the services does not have its sales figures tallied in time to make our press deadline, statistical experts in the Army Times Research Department estimate sales for that month.

The research department makes sure that all commissary figures include the 5 percent surcharge and also that sales reported for exchanges include their concession volume. By keeping the data on file, MILITARY MARKET is able to compare one year to the previous one. The research department also uses the information to calculate cumulative yearly sales, the percent change for the month in the current year compared with the same month the year before, and the percent change for the two year-to-date totals.

The Index has undergone a few facelifts over the years. Originally, there were two Indexes — one for commissaries and another for exchanges; this started in June 1971 and continued while MILITARY MARKET was published in separate commissary and exchange editions. When the two editions were combined in July 1978, the Indexes also were combined. Later, they were enlarged, and still later, some black and white tinting was added to improve readability. Last September, color and graphics were added to the Index and the chart was moved from the back of the magazine to the front.

But the data reported in the monthly MILITARY MARKET Index has remained unchanged: basic, essential figures that marketers plan their activities by. **K.McB.**

PEAKS AND VALLEYS — COMMISSARY SALES, 1986 - 1989

The graphs on these two pages are visual representations of the MILITARY MARKET Index from 1986 through 1989, the most recent four years. They depict the peaks and valleys of monthly commissary sales — by ConUS, by overseas and by worldwide roll-ups — for the Air Force, Army, Navy, and Marine Corps commissary programs, as well as the combined totals of the four services.

Sales fluctuations are sometimes predictable, as in the month of December, when sales regularly run about 14 percent higher than the monthly average for any given year. Other changes do not follow a pattern, as is the case for the slippage during November 1986 and November 1987, which is **not** continued during November 1988 and November 1989. Other trends and deviations are also apparent.

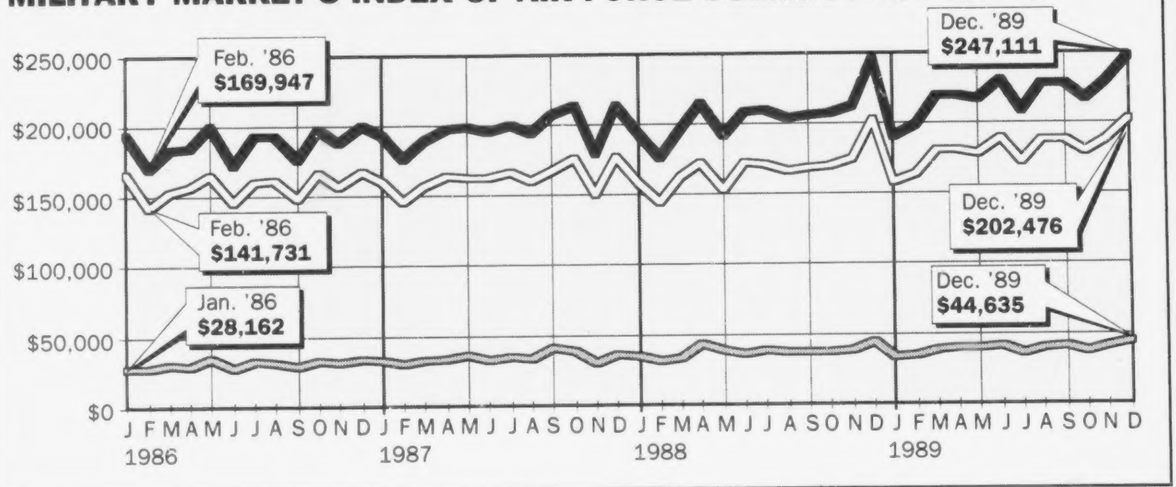
The graph for the Navy commissary system is provided for purposes of illustration, though it does not accurately reveal sales increases or decreases on a month-to-month basis. Because the Navy's accounting periods do not correspond to calendar days, and because there is a five-week accounting period every three months, the Navy graph shows a pattern of regular increases and decreases in three-month increments.

The dates and dollar figures within each graph represent highs and lows for total, ConUS, and overseas sales over the four-year period.

All dollar figures represent millions of dollars (add 000 to each figure), except the Marine Corps amounts for September 1987 and December 1988, which represent thousands of dollars.

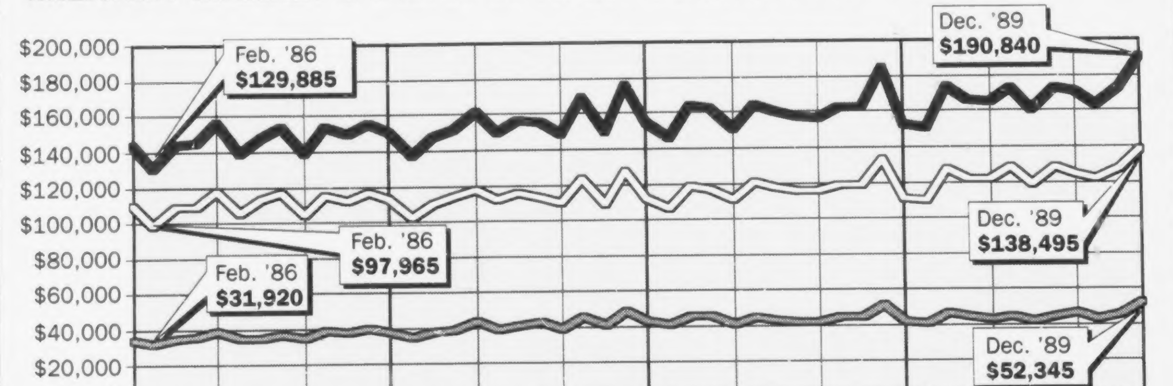
━ **Total**
═ **ConUS**
▨ **Overseas**

MILITARY MARKET'S INDEX OF AIR FORCE COMMISSARY SALES



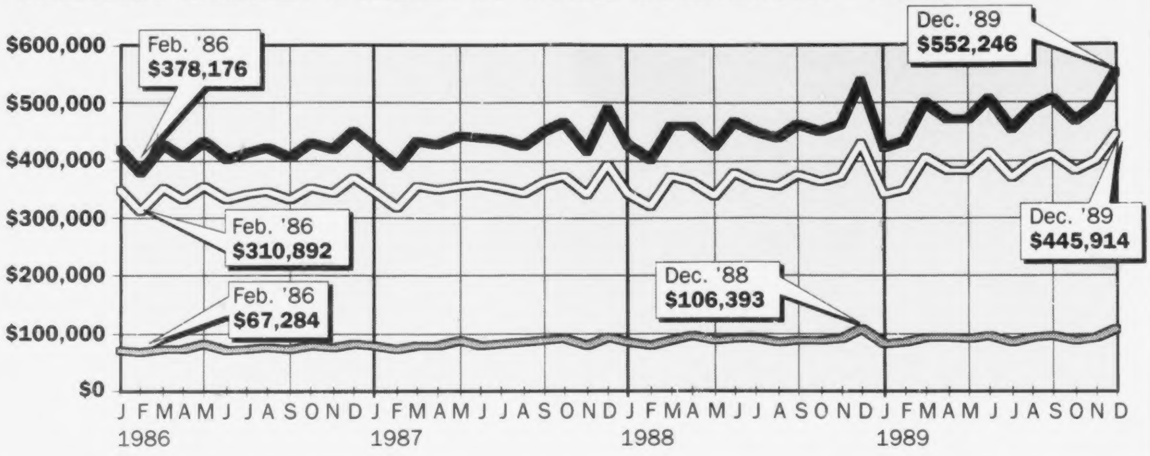
Joanne Ostendorf for Military Market Magazine

MILITARY MARKET'S INDEX OF ARMY COMMISSARY SALES



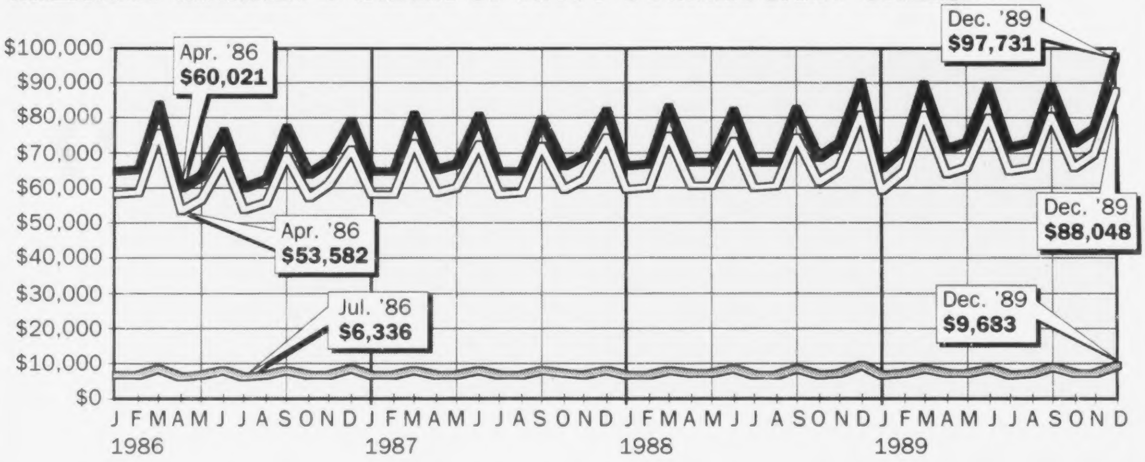
Joanne Ostendorf for Military Market Magazine

MILITARY MARKET'S INDEX OF TOTAL COMMISSARY SALES



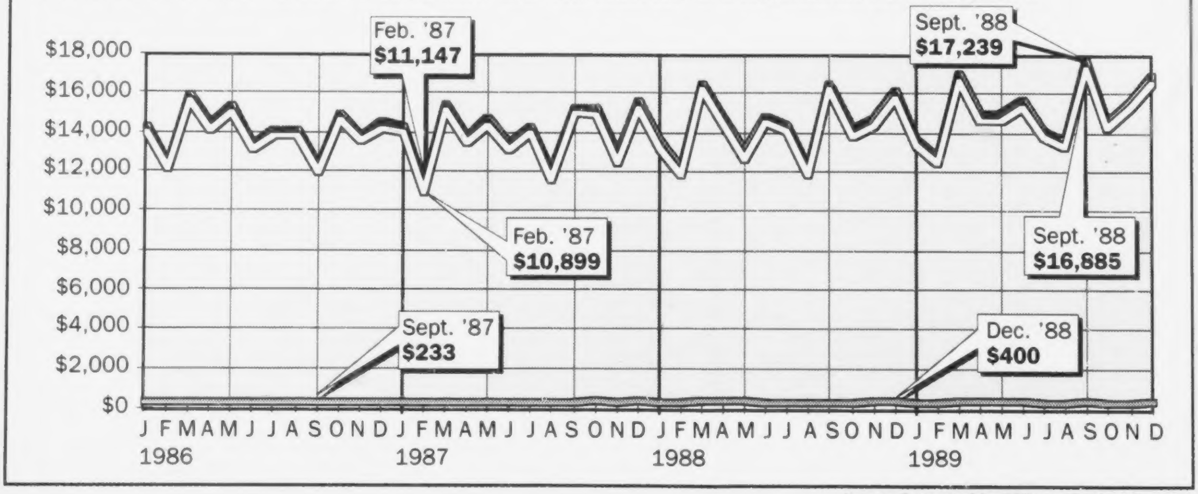
Joanne Ostendorf for Military Market Magazine

MILITARY MARKET'S INDEX OF NAVY COMMISSARY SALES



Joanne Ostendorf for Military Market Magazine

MILITARY MARKET'S INDEX OF MARINE COMMISSARY SALES



Joanne Ostendorf for Military Market Magazine

MILITARY MARKET'S INDEX OF COMMISSARY SALES YEARLY GROWTH

The following figures represent sales and percent of growth for Air Force, Army, Navy, and Marine commissaries from 1986–1989. Percentage of growth reflects actual dollar sales and are not adjusted for inflation. *(Add 000 to each sales figure.)*

	AIR FORCE		**ARMY**		**NAVY**		**MARINES**		**TOTALS**	
Year	*Sales*	*Growth*	*Sales*	*Growth*	*Sales*	*Growth*	*Sales*	*Growth*	*Sales*	*Growth*
1986	**$2,248,790**	**—**	$1,758,915	—	**$815,800**	**—**	$169,317	—	**$5,000,477**	**—**
1987	**2,354,163**	**+4.69%**	1,855,245	+5.48%	**851,162**	**+3.64%**	167,490	−1.08%	**5,234,761**	**+4.69%**
1988	**2,461,579**	**+4.56%**	1,928,885	+3.97%	**882,447**	**+3.64%**	172,660	+3.09%	**5,452,265**	**+4.15%**
1989	**2,631,633**	**+6.90%**	2,014,112	+4.42%	**941,406**	**+6.68%**	181,006	+4.83%	**5,775,575**	**+5.93%**

formation than just analyzing a single year's performance. "People really didn't understand that these kinds of peaks and valleys were going on in the business until it was charted out.

"Believe me, we've shown this [analysis] to dozens of manufacturers and they have used this as their lead-in to a lot of their presentations with their own management, saying, 'Here's the marketplace; don't think that this is a flat market, by any means. And look at the opportunities that can be there if we're promoting during some of the right periods.' "

But even if they use material from the overall picture, manufacturers and brokers still must use their own category data to plan their marketing efforts, since some categories do not follow the typical peak-and-valley trends. For example, while overall commissary sales in February are down, sales of frozen diet entrees go up significantly, since many shoppers go on weight-loss campaigns at that time.

(Next month, Part Two of this article will explain some of the overall peaks and valleys, and give examples of how marketers can use category or brand data in their market planning.)

WHAT CAUSES SALES TO FLUCTUATE?

Marketing to commissaries is affected by six basic factors: seasonality, inventory/ordering trends, stock fund allocation, space constraints, competition, and distribution. Analyzing data from all of these areas can help predict when sales will go up or when they'll go down, and when promotions should be scheduled.

Seasonality is a major factor. It means what time of year a product sells best, when one product should be promoted over another one, and what months may be good or bad for sales in general. Seasonality for individual products can be driven by the weather (hot chocolate in the winter) or eating habits for certain times of the year (dieting in the spring). Overall sales may be affected by shoppers who are on vacation (low sales) or entertaining (increased sales).

And, in the end, a perfectly planned marketing campaign can be thrown off by the ordering patterns of the commissary systems. When stores take inventory, they automatically order less product in order to make the inventory process less complicated for themselves. Commissary officials may set caps on how much they will order in a given period. And they may not account for seasonality factors when they place their orders.

Commissary officials can also be guided by preconceptions. If they perceive that December's volume will be greater, they won't hold back the funding needed for extra quantities of merchandise. But if they perceive that sales for another month are predestined to be lower, they may not let go of additional dollars, even if those dollars could make a difference in how much they sell.

And sometimes decisions about ordering are out of the control of the commissary system, as when the stock fund money simply runs out, which has occasionally happened, in the Army commissary system, especially. In addition, while some promotions work well in large commissaries, the space constraints of smaller stores may preclude them from ordering the quantities needed for a mass or long-running display.

Obviously, marketers also need to consider what their competitors are doing. Is it good business to go head to head with a competitor's major promotion? Or is it wiser to wait for another month?

There may be data available that can help answer these questions. The charts and graphs in this story provide some insights on how to adjust to these factors, or how these factors actually affect sales patterns. MM

NEXT MONTH

In the July issue of MILITARY MARKET, Part Two of this article will take a closer look at the range of the peaks and valleys of commissary sales. We'll give marketers some examples of how they can use specific category or brand data in their market planning. And we'll talk with resale experts — from the trade and from the government — to attempt to understand what the data is telling us.

Extended hours

Dawn of the Age of the Mini-Comm

by Karen McBeth, Associate Editor

It was the plains state of Oklahoma that led the charge toward extended evening commissary hours, when the Army's program at Fort Sill was followed by a similar one for neighboring Tinker AFB. Now, at least 19 Army and Air Force commissaries are offering limited-service, evening hours within the main store. And the Marine Corps recently followed suit with one of its commissaries.

In addition, Army and Air Force commissary officials are testing shifted hours, when stores operate with full staffs later into the evening by cutting back the hours on other operating days, or by opening later in the morning.

SHIFTED HOURS

The Jones Commission said the so-called "extended hours concept" is being "successfully used" by TSA, generating sales per operating hour that are four times those in mini-marts. *[See chart for comparison.]*

The program provides full-service in the main commissary for extended hours during the evening. According to the Jones Commission report, one way of offering extended hours six days a week is by closing the store on one slow day and shifting those hours to the other evenings. "The store is able to increase total shopping hours available and offer full-service during the more popular evening hours," the report states, describing the added advantage of using the non-operating day for upkeep and resets.

SAVING TIME AND MONEY

	Mini-Mart	Extended Hours
Sales per operating hour	$3,161	$12,836
Sales per transaction	$30	$49
Average transactions per hour	93	260

SOURCE: Jones Commission's DoD Study of the Military Commissary System

However, TSA reports that it has not needed to shut down an additional day at the locations which have the extended-hours concept. At Fort Benning, Ga.; Fort Lewis, Wash.; Fort Belvoir, Va.; and Hanau and Robinson Barracks, Germany, "hours of operation have been extended and are being provided for patrons to shop and receive full service," said Kelly Cornwell, a commissary management specialist in TSA's Directorate of Operations. He explained that the hours have been "shifted and expanded" away from the mornings and into the evenings.

Cornwell said that United States Army-Europe funded the extended hours at the European Region stores, including the mini-mart at Heidelberg. The proposed mini-mart at Wuerzburg may also require outside assistance; Cornwell said that TSA does not have the needed funding.

According to Cornwell, the average additional funding required to establish a mini-mart is about $60,000. On the other hand, because the extended-hours program often relies on shifting hours of operation and not expanding them, these cases require no additional funding.

AFCOMS is exploring the use of a similiar extended full-service program. Spokesmen for the agency told MILITARY MARKET that the agency's commander, Maj. Gen. Robert Swarts, prefers the extended or shifted hour concept over the mini-comm program, since stores can offer full service to their patrons. Spokesman Ken Perrotte explained that the agency plans to phase out its mini-comms and go to shifted hours.

In April, AFCOMS began testing shifted hours at the Offutt AFB, Neb., commissary, which has been operating as a mini-comm in the evenings. Perrotte said Wright-Patterson AFB, Ohio, will be the next location to implement extended or shifted hours. That commissary will open at 10 a.m. Tuesdays through Fridays, instead of the current 8:30 a.m. On those four days, the store will be open until 8 p.m.

MINI-COMMS

In testimony at a recent hearing, the Troop Support Agency's commander said that "rescheduling and shifting of resources" at Fort Sill "have kept expenses and overhead extremely low." Brig. Gen. Charles St. Arnaud explained that, while sales per labor hour for normal operations average $125, the "mini-mart" operation has sales of $741 per labor hour.

And, since the concept proved to be "an exceptional patron pleaser," TSA has expanded it to six other ConUS commissaries. Now, in addition to Fort Sill, commissaries at Fort Carson, Colo.; Granite City AD, Ill.; Fort Sam Houston, Texas; White Sands Missile Range, N.M.; and Fort Drum, N.Y., offer the so-called "mini-comms." As of April, the commissary at Heidelberg, Germany, added a mini-comm in the evenings, and Wuerzburg, Germany, has been proposed as another site.

The Air Force Commissary Service is testing the mini-comm program at 12 stores besides Tinker: Bolling AFB, D.C.; England AFB, La.; Hill AFB, Utah; Kadena AB, Okinawa; RAF Lakenheath, U.K.; Luke AFB, Ariz.; McChord AFB, Wash.; Minot AFB, N.D.; Norton AFB, Calif.; Offutt AFB, Neb.; Patrick AFB, Fla.; and Lackland AFB, Texas.

The Marine Corps reports that it does not have the funding to increase hours at its stores. However, with help from the installation, the Kaneohe Bay, Hawaii, commissary started an evening-hour program in February. Operating hours were increased from 48 per week to 66 per week, with the store open seven days now.

Joseph Jeu, head of the Marine Corps Services Branch, explained that the base provided support and funding for the additional hours — two work years, or about $30,000. Now the store is open from 7 p.m. to 10 p.m. in the evenings. Services like meat cutting are not offered, and customers must shop with a hand basket, not a cart.

Adding hours has a direct impact on sales, as shown by the Camp Pendleton, Calif., commissary, which went from a 5-day operation to a 6-day schedule last October. With the added day, sales through February were up 15.1 percent, said Jeu.

Charting Commissary Sales - Part 2

C8910-1

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY
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The Great Resale Wargame

Commanders' midyear updates

PX
COMMISSARY

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KEVIN KENDRICK
4520 E WEST HWY-#800
BETHESDA MD 20814

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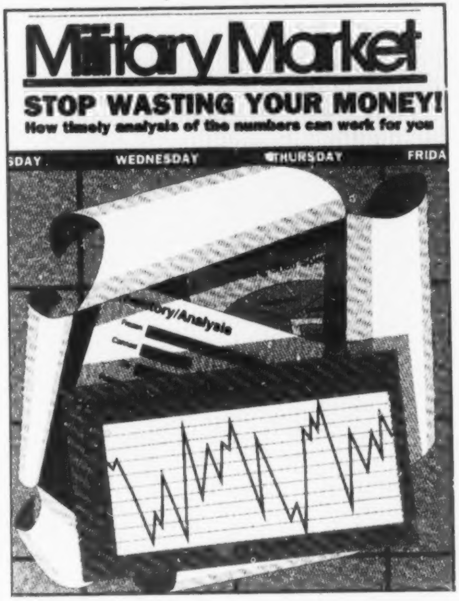
Military Market
STOP WASTING YOUR MONEY!
How timely analysis of the numbers can work for you
SDAY
WEDNESDAY
THURSDAY
FRIDA
Inventory/Analysis

JULY 1990 VOL. 41, NO. 7

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COVER ART by DAVE CLARK, DESIGN by CHRISTINA RIVERO

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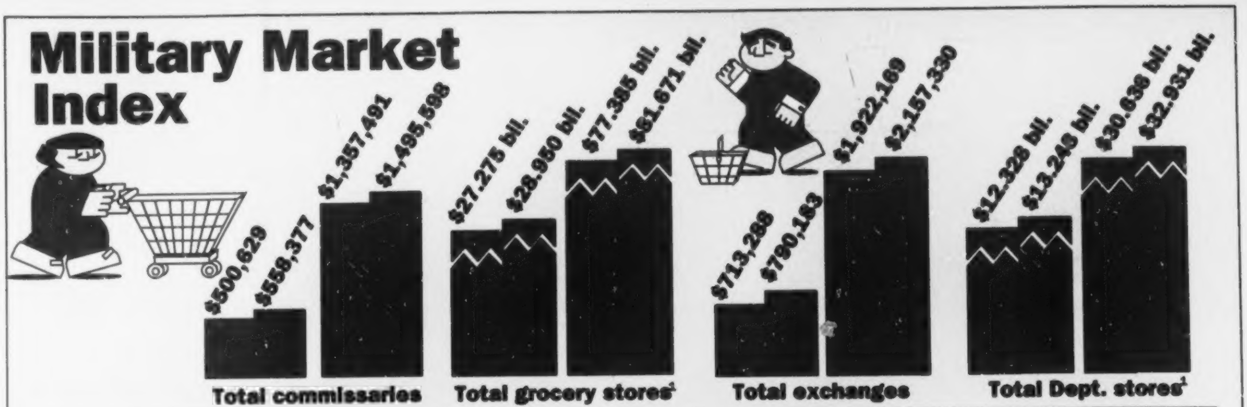

COMMISSARIES		MARCH			YEAR-TO-DATE		
		CY'89	CY'90	% CHANGE	CY'89	CY'90	% CHANGE
	CONUS	$127,680	$135,975	+6.50	$348,185	$376,530	+8.14
	OVERSEAS	46,410	49,455	+6.56	129,465	135,030	+4.30
ARMY	**TOTAL**	**174,090**	**185,430**	**+6.51**	**477,650**	**511,560**	**+7.10**
	CONUS	180,337	213,929	+18.63	500,270	569,460	+13.83
	OVERSEAS	38,946	44,408	+14.02	107,422	120,824	+12.48
AIR FORCE	**TOTAL**	**219,283**	**258,337**	**+17.81**	**607,692**	**690,284**	**+13.59**
	CONUS	81,092	85,856	+5.87	204,621	220,300	+7.66
	OVERSEAS	8,542	8,757	+2.52	22,435	23,543	+4.94
NAVY	**TOTAL**	**89,634**	**94,613**	**+5.55**	**227,056**	**243,843**	**+7.39**
	CONUS	16,604	19,030	+14.61	42,383	47,355	+11.73
	OVERSEAS	366	354	-3.28	925	864	-6.59
MARINE CORPS	**TOTAL**	**16,970**	**19,384**	**+14.23**	**43,308**	**48,219**	**+11.34**
	CONUS	333	341	+2.40	860	877	+1.98
	OVERSEAS	319	272	-14.73	925	815	-11.89
COAST GUARD	**TOTAL**	**652**	**613**	**-5.98**	**1,785**	**1,692**	**-5.21**
	CONUS	$406,046	$455,131	+12.09	$1,096,319	$1,214,522	+10.78
	OVERSEAS	$94,583	$103,246	+9.16	$261,172	$281,076	+7.62
ALL COMMISSARIES	**TOTAL**	**$500,629**	**$558,377**	**+11.54**	**$1,357,491**	**$1,495,598**	**+10.17**

EXCHANGES		MARCH			YEAR-TO-DATE		
	CONUS	$287,996	$325,929	+13.17	$783,605	$903,163	+15.26
	OVERSEAS	218,721	238,631	+9.10	601,048	680,028	+13.14
AAFES	**TOTAL**	**506,717**	**564,560**	**+11.42**	**1,384,653**	**1,583,191**	**+14.34**
	CONUS[2]	975	1,128	+15.69	3,129	3,381	+8.05
	OVERSEAS[2]	1,716	2,361	+37.59	4,941	6,922	+40.09
MAIL ORDER	**TOTAL[3]**	**2,691**	**3,489**	**+29.65**	**8,070**	**10,303**	**+27.67**
	ConUS[4]	120,101	123,094	+2.49	290,968	308,512	+6.03
	OVERSEAS[4]	47,606	54,063	+13.56	123,196	135,152	+9.70
NAVY	**TOTAL[4]**	**167,707**	**177,157**	**+5.63**	**414,164**	**443,664**	**+7.12**
	CONUS	25,284	33,635	+33.03	79,971	86,573	+8.26
	OVERSEAS	3,409	3,441	+0.94	13,223	10,564	-20.11
MARINE CORPS	**TOTAL[2]**	**28,693**	**37,076**	**+29.22**	**93,194**	**97,137**	**+4.23**
	CONUS[2]	6,882	7,279	+5.77	20,315	21,208	+4.40
	OVERSEAS*[2]	598	622	+4.01	1,773	1,827	+3.05
COAST GUARD	**TOTAL[2]**	**7,480**	**7,901**	**+5.63**	**22,088**	**23,035**	**+4.29**
	CONUS	$441,238	$491,065	+11.29	$1,177,988	$1,322,837	+12.30
	OVERSEAS	$272,050	$299,118	+9.95	$744,181	$834,493	+12.14
ALL EXCHANGES	**TOTAL**	**$713,288**	**$790,183**	**+10.78**	**$1,922,169**	**$2,157,330**	**+12.23**

1) SOURCE: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Overseas Marine Corps figures do not include those for camps Butler a Iwakuni, which were unavailable at press time. NOTE: Individual figures may not equal totals because of rounding. All sales are expressed in thousands (000), except grocery and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann for Military Market Magazine

DATA AUTOMATION

AFCOMS, TSA, DPSC are making EDI progress

Three commissary agencies which have been latecomers to the use of electronic data interchange are making progress in that arena:

■ **AFCOMS:** The Air Force Commissary Service begins testing electronic ordering in its Southern Region at Maxwell AFB, Ala., on July 16, with the Procter and Gamble Co. and with Dixon Marketing, which represents 17 manufacturers.

AFCOMS is implementing EDI in phases, in conjunction with the Air Force Accounting and Finance Center. Electronic ordering is the first phase; the second phase, which involves electronic invoicing, will being July 30. Phase III — electronic funds transfer — is slated to begin sometime in January 1991.

AFCOMS will add Southern Region stores to the test one at a time. Moody AFB, Ga., and Hurlburt AFB, Fla., will begin EDI soon after Maxwell. The last store to be added to the program is Warner-Robins, Ga., since it also supports Mediterranean area stores.

When electronic ordering begins, the electronic transmittals will go to Dixon, ordering for all 17 manufacturers. However, invoicing and funds transfer, which link directly to the manufacturer, will be possible with only two of the 17 companies: Nabisco and Dow Brands.

According to AFCOMS, by using existing hardware, the agency will be able to implement EDI at a total cost of not more than $4,000. Officials expect EDI to enable stores to order faster, more frequently and more accurately, which will reduce warehouse inventory levels. Other benefits cited include fewer not-in-stocks, reduced labor costs, reduced handling costs and reduced filing of paper. According to AFCOMS, as the agency advances to a real-time receiving system, EDI will also eventually eliminate the need for data entry.

Originally, AFCOMS had agreed to use the federal standard ANSI X.12 for EDI, but officials decided that since only one manufacturer (P&G) said it would use that standard, a successful test would require stores to use UCS/EDI.

The UCS Standards Maintenance Committee is expected to meet sometime in the near future to determine if UCS will be pulled under ANSI X.12 as a new leg of the standard. This is expected to happen, but it will take 5 to 6 years to be totally merged.

AFCOMS reports that, if in the course of the test it seems to be going well, it may solicit additional manufacturers or brokers to participate.

■ **TSA:** The Troop Support Agency, which began a test of electronic ordering in March at its Fort Lee, Va., commissary, now has C. Lloyd Johnson, Webco and General Foods participating.

From the beginning, the test has involved parallel sending of hard and electronic copies of the orders. Because of software problems, the store has had to rely on the hard copies and has not been able to switch to a completely electronic transmittal. Headquarters personnel have been working to correct the problems.

Five other companies have signed up to participate in the test when the software is improved: Overseas Service Corp., George E. Abbott & Co., Eurpac Service Co., Francois L. Schwarz and Procter and Gamble.

TSA is using the Uniform Communications Standard (UCS) format.

■ **DPSC:** As of June, the Defense Personnel Support Center had tested electronic ordering with Procter and Gamble, Dixon Marketing (representing Nabisco), Del Monte and Nabisco direct. (Nabisco splits its orders between itself and Dixon.)

Dreux Daumer, chief of the technical services branch in the Defense Integrated Subsistence Management System office, said that P&G was the first manufacturer to test electronic ordering with DPSC, but the test has been discontinued while P&G works to adapt its system to some DPSC requirements. Del Monte will also have to make changes to its system.

Daumer said that DPSC is preparing to extend the electronic ordering test to four other companies: OSC (Overseas Service Corp.), General Mills, Francois L. Schwarz and Scott Paper. Adapting the software to add the companies takes several months.

The agency has tested electronic invoicing with only one company — General Foods. The test determined that GF must adapt its system to government requirements for the invoicing.

DPSC is making plans to provide Purchasing Order Requisition Listings — brand-name commissary data which industry refers to as "crazy sheets" or "hot sheets," — to industry through electronic means by the end of the year. These listings provide a summarized recap of a company's purchase orders for that cycle.

Exchange Systems Performance Measures — Fiscal 1989

	AAFES	NAVRESSO	MARINES	VCS	COAST GUARD
Retail Sales *	$5,327,528,506	$1,341,621,488	$377,774,833	$89,779,778	$70,978,898
% Change †	+11.0%	+0.9%	+11.45%	–1.05%	+12.4%
Total Sales ‡	$6,777,399,270	$1,886,169,528	$565,926,456	$180,167,448	$121,574,337
% Change †	+9.0%	+1.8%	9.8%	–1.0%	+11.1%

Exchange systems' fiscal years vary. They are: AAFES (Jan. 25, 1988 to Jan. 24, 1989); NAVRESSO (Feb. 1, 1988 to Jan. 31, 1989); Marine Corps (Jan. 29, 1988 to Jan. 28, 1989); VCS (Oct. 1, 1988 to Sept. 30, 1989); Coast Guard (Jan. 23, 1988 to Jan. 22 1989).

NOTE: Veterans Canteen Service sales declines are due to losses caused by eliminating sales of tobacco in some canteens.

* *Retail sales mean retail store sales, and exclude sales from other exchange operations, such as food service, clubs, concessions, etc.*

† *Indicates change from 1988 to 1989.*

‡ *Total sales include retail sales, as well as sales from clubs, concessions, services operations, food operations, etc.*

SOURCE: All figures provided to MILITARY MARKET MAGAZINE *by the individual exchange services.*

DEMOGRAPHICS

Study calls for recruiting and retention changes

Unless the Pentagon changes its recruiting and retention policies, the smaller military of the future could face increased demands for family-support services, says a study by a former Navy manpower official.

The warning comes from retired Navy Capt. Thomas M. Hale, the former head of Navy compensation and now vice president of a Virginia-based consulting group specializing in military personnel issues.

Hale, who retired from the Navy in 1983, said his research found older recruits, married males, blacks and single females — all more likely than single, white males to need support programs — are more likely to remain in the military than single, white males, who traditionally make up more than 30 percent of the force.

Because people with families are more likely to remain in the service than those without families, Hale said there could be "additional pressures for programs such as additional child-care facilities, reduction of family separation, equal opportunity and the elimination of the legal restrictions against women in combat."

Hale's study, done as part of his doctoral studies at George Mason University in Fairfax, Va., is based on the 1985 Department of Defense survey of enlisted personnel. For his doctoral thesis, Hale studied just part of the data collected by looking at the responses of 1,800 Navy enlisted personnel in pay grades of E-3 through E-5.

While he did not look specifically at the other services, Hale said he would expect the conclusion to be virtually the same. The one difference would be that minority representation in the other services would be even larger because the Navy has a smaller percentage of blacks than the other services.

Hale said he found single, black females had the highest retention rate of any demographic group. Single white males had the lowest, 31 percent.

The retention rate for blacks is 55 percent, or 76 percent greater than the retention rate for single, white males. The retention rate from single, black females was 68 percent, more than double the rate for single, white males, Hale found.

Based on these trends, Hale said the military "can expect to experience a higher percentage of married personnel, females and minorities in the career enlisted force than currently exists." He predicted this will occur even during the drawdown in the size of the active-duty force unless steps are taken to change enlistment patterns.

For example, the services could reduce first-term military pay as a step to discourage service members from marrying at a young age. They could increase mental aptitude test score requirements for enlistement to reduce the number of blacks entering the service. Both military and independent studies have shown that blacks generally score lower than their white couterparts on military aptitude tests. To change the mix in the services, the Pentagon or the services also could lower enlistment quotas for women to cut the total number of women in the military.

Hale's research is not suprising in some respects. Single females are generally are considered more likely to re-enlist in the military than married females because women who are married find that military life conflicts with raising a family, military manpower officials said.

Married males, however, are more likely to re-enlist than single males because they have family obligations that discourage them from leaving the service to find new employment in the private sector, the officials said.

Commissary Systems Performance Measures — Fiscal 1989

	AFCOMS	TSA	NAVRESSO	MARINES	TOTALS
Sales *	$2,612,437,302	$1,992,088,187	$968,045,705	$187,534,735	$5,760,105,929
% of Change †	+7.2%	+3.7%	+6.4%	+4.3%	+5.7%
Transactions	53,868,838	44,980,305	20,765,592	3,841,015	128,455,750
Average trans.	$48.50	$44.29	$46.62	$48.82	$44.81
Surcharge ‡	$121,721,000	$93,109,370	$46,253,279	$8,870,525	$269,954,174
Coupons ‡	127,574,183	81,700,000	39,903,047	6,870,580	256,047,810
Coupons in $	$70,700,000	$49,075,782	$15,507,705	$2,441,242	$137,724,729
% of Change †	+24.8%	+24.6%	+16.3%	+10.5%	+23.4%
Ave. $ value	$ .55	$ .60	$ .39	$ .36	$ .54
Food stamps	$3,810,447	$5,184,693	$2,065,266	$382,899	$11,443,305
% of Change †	+11.9%	+5.8%	−2.9%	−2.2%	+5.7%

Commissary systems fiscal year is from Oct. 1, 1988 to Sept. 30, 1989.
** Total sales include surcharge. † Indicates change from 1988 to 1989. ‡ Indicates total.*
SOURCE: All figures provided to Military Market Magazine *by individual commissary services.*

RESALE BY THE NUMBERS

Sales figures for the commissary systems have been available for many years, with varying degrees of accuracy. But in the past five years the services and their suppliers have had access to increasingly complex numbers, as well as increasingly sophisticated ways of analyzing those figures.

Graphic analysis — visual representations of number trends — is one of those sophisticated tools. In Part Two of an article that began in the June issue of this magazine, Commissary Reporter Karen McBeth takes a further look at graphic analysis and at six factors that influence sales in the military.

By Karen McBeth, Associate Editor

When sales professionals step across the threshold into the military market, their first reaction is often frustration. As they cope with new acronyms, unfamiliar jargon, and a baffling distribution system, they may wonder if they will ever find a use for what they thought they knew about marketing.

They are relieved when they realize that some commercial marketing ideas do still apply. But the smart people quickly learn that a host of other factors also influence selling in this unique arena.

One tool which helps sales representatives and store managers alike is data — especially graphic presentations. As was explained in Part One of this article, analyzing long-term sales trends, seasonal patterns, and promotional activity — *by the numbers* — will enable industry and military marketers to survive and prosper in the changing resale environment.

Manufacturers and market researchers have been charting out individual categories and brands for some time. But it is only recently that the information has become more readily available, and that industry and military personnel have made full use of it.

In addition, charting the overall sales of commissaries is a new form of analysis which can be used in conjunction with more specific graphs. The graphs in this article represent a combination of data taken from the monthly MILITARY MARKET Index, from the U.S. Department of Commerce, and from Military Audits of Market Information (MAMI).

There are many influences on sales. Because they are so interrelated, it is usually impossible to isolate each cause and effect. But, based on their understanding of the military resale system and military customers, experts from industry and from the services have come up with some pretty good theories for what's driving the graphs, and thus, what's driving the market.

This article will describe how influences from six basic areas affect selling to the military market. Three of the areas — seasonality, competition and environmental factors — play a role in the civilian market as well. But the impact of operational techniques, budget allocations and space limitations is military-specific.

The Effects of Seasonality

Seasonality defines when a product sells best because of weather, eating habits, or shopping habits at certain times of the year. These factors exist in all markets, civilian and military alike, but the military has additional "seasonal" events, such as service-wide sales, change-of-station moves, troop maneuvers and paydays.

- **November through February fluctuations:** Just as in the commercial world, sales in commissaries go up in December and go down in February, as the graph on page 54 shows. November and December are two of the biggest months, not so much because promotions are held then, but because it is the nature of people to buy more during the holiday season, says Joe Jeu, head of the Marine Corps' Services Branch.

By contrast, cold weather and the lack of holidays cause sales to decline in January and February. This seasonal factor has even greater impact in the Northeast and Midwest, where winter weather can be severe, points out Rosemary Buettner, who retired last year as head of the Resource Management Directorate in the Troop Support Agency (TSA).

Another reason for the February slump is that the month has fewer operating days. Jeu and Buettner both believe that January sales actually are worse, although February looks like a weaker month because it has fewer days.

The commissary services plan for these seasonal variations as a "matter of course," says Bill Mehler, TSA's chief of the Merchandising and Marketing Division.

"There's no question that the services have done an exceptionally good job in dealing with seasonality," notes Lauren Elkin III, president of the L.J. Elkin, Inc., brokerage company.

- **Summer sales fluctuations:** Mehler and Jeu both mention the impact that permanent change-of-station (PCS) moves and vacations have on sales during the summer months. According to Mehler, most areas see a decline in sales during these peak vacation and travel months, although a resort area would see the reverse trend.

"The unique thing the civilian sector doesn't have to deal with is the change in station," Jeu says about the summer months. "When people come and pack your belongings, you no longer have the capability to cook. Also, if you're traveling across country, you're not going to shop during that time."

Jeu says that military members move about every three years, which could mean that a third of the customer base moves each summer, when children are out of school. The Air Force Commissary Service reports that the most popular month for moves varies from year to year, but June, July and August are all common times.

In the commercial marketplace, which doesn't have as big a percentage of its customer base moving each summer, sales do not show the extreme peaks and valleys

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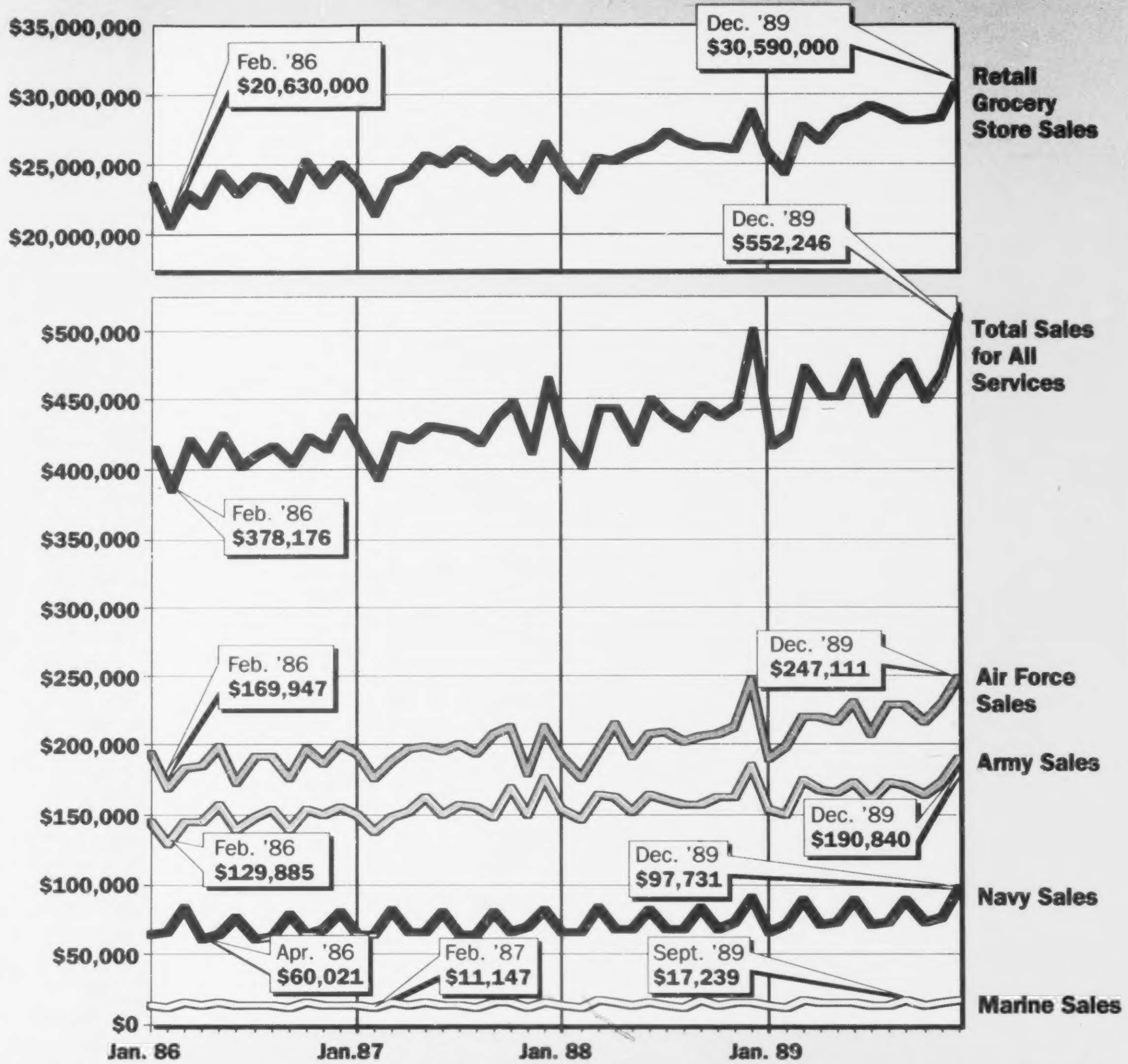
COMMISSARIES VS. GROCERY STORES, 1986–1989



Note: Grocery figures represent billions of dollars; commissary figures represent millions of dollars. (Add 000 to each figure.) Dates and dollar figures within graphs represent respective highs and lows over the four-year period.

SOURCES — Grocery stores: U.S. Dept. of Commerce. Commissaries: Military Market Magazine Index.

The graphs above represent the MILITARY MARKET *Index, 1986 – 1989, the most recent four years. Because Navy accounting periods do not correspond to calendar days, and because there is a five-week accounting period every three months, Navy sales do not accurately reveal monthly sales changes and are provided for illustration only.*

which the military trend line shows. *[See graph above.]*

Over time, sales in commissaries appear to have shifted away from the months of May and July and tilted toward June, as May and July went from being high sales months to being low sales months. At the same time, June became a strong month for sales. None of the resale experts who were asked to comment about this phenomenon could find one single explanation for this, but they theorize that it could have something to do with the summer moves.

"Traditionally, one month in the summer was low because that was the month [service members] moved," TSA's Buettner remembers. She suggests that the services may now be moving more people in July, which would cause the sales decline seen in this month.

A Pentagon official theorizes that the phenomenon could have to do with the fiscal year, since the services budget their personnel moves according to fiscal quarters. July is the beginning of a new quarter, so more funding may be available for PCS shifts then. June, which falls at the end of a quarter, may see higher sales as a result of fewer moves.

Buettner cites an example of the role that funding plays: "One year the Army ran out of money and didn't move people in Europe. So sales stayed even."

Special Factors

- **Random events:** Other occasional events that have an impact, says Lauren Elkin, include morale-related activities like air shows, which travel from base to base, and commissary grand openings.

Rosemary Buettner notes that sales can vary according to military field maneuvers. "Sales are always down during REFORGER [exercises] in Europe — the men are in the field, and their families are going to Burger King."

Jim Graef, who is manager of military sales for Quaker Oats Co., says that field maneuvers, a sudden heat wave, or a situation like the invasion of Panama, all result in an increase in sales for Gatorade, one of his company's products. He says that manufacturers have to look at the patterns of ship arrivals in port, and try to order ahead, since a ship's arrival causes an increase in sales for all products.

"Some of that you can't predict — it's like Russian roulette," Graef says.

- **Promotional events:** Sales peaks in some months, like June, may be driven by agency-wide, headquarters-directed promotional events. Quaker's Graef says that service-wide promotions "definitely" cause sales to increase, and that the services are improving their execution of them. AFCOMS runs its big Red Coat Sale in June, and Navy commissaries also have a major event in June. But TSA and the Marine Corps do not run big agency-wide promotions at that time, and their sales are also up in June.

AFCOMS officials report that, some years ago, they noticed from studying sales data that their sales were down in June, so they decided to run the Red Coat Sale in that month. They estimate that the annual promotion increases overall sales for that month by about 10 percent. The other services may be benefiting from the AFCOMS sale in a piggyback effect, since suppliers offer promotions to them at the same time AFCOMS has its big event.

In addition, AFCOMS merchandisers theorize that, when kids are vacationing from school in the summer, they eat their lunches at home instead of buying from school cafeterias, thereby giving an incremental sales increase.

- **Payday shifts:** Like the June sales blip, there also seems to be no clear-cut reason for the sales shift from October to the month of November. It may have something to do with how the paydays or store operating days fall.

Military paydays are the 1st and 15th of each month; however, if the 1st falls on a Saturday or Sunday, the pay is distributed on Friday, a day which would fall in the previous month. When this happens, some months have three paydays, while others have only one. For example, if members get paid on Friday the 30th of March 1990, and go grocery shopping at the commissary on Friday (the 30th) and Saturday (the 31st), those extra payday sales fall in March, not April. So the April 1st "payday effect" takes place in March, instead. March ends up with three paydays — the 1st, the 15th and the 30th — while April ends up having only one payday — the 15th.

October 1989 was a month with only one payday, because the 1st fell on a Sunday. Thus, service members were paid on Friday, Sept. 29. This could partially explain the low sales of October 1989. In addition, the month had more than its share of Mondays (five) — a day on which many commissaries are closed.

The assumption behind the payday effect is that service members and their spouses wait until they get their paychecks before they shop, and don't "float" checks without money in the bank. TSA's Mehler says that, with electronic funds transfer and the speed with which a check can clear, people are less prone than they used to be to take a chance on bouncing a check.

"The float used to be five to seven days, but now you can't do that with the same degree of certainty," he says. "Rather than floating the check," says Mehler, "people are more likely [to wait] until the check has hit the bank" before they shop.

Product Seasonality

While the overall sales graphs give a good idea of general trends, each product category has its own season. Some go with the basic pattern, and some do not. *[See graph below.]* For example, frozen foods and diet foods sell well at the slowest overall time of the year — in January and February, perhaps because shoppers are looking for more convenience and fewer calories after the holidays. *[See frozen food graph on page 56.]*

John Sarver, sales planning manager for General Foods' military sales, says that while February is a month that "doesn't have much going for it," because of bad weather and the lack of holidays, it's a "great time to be doing activity" for diet products.

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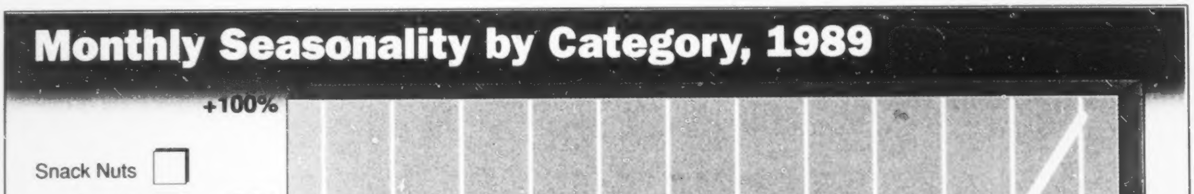
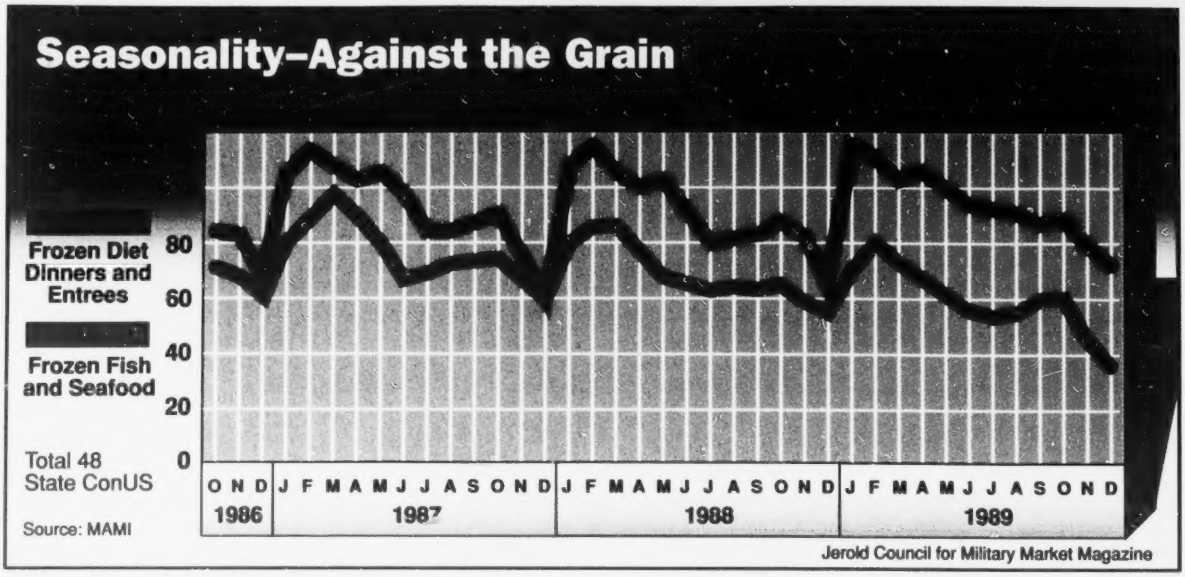

Monthly Seasonality by Category, 1989

Note: 100 equals the norm, the average monthly sales per category

Source: MAMI

Jerold Council for Military Market Magazine

The seasonal highs and lows of certain categories appear to follow the "logical" trend, particulary when compared to an "all-season" category, such as toothpaste.



While total commissary sales dropped in January [See graph, page 54.], *some categories took a turn against the trend. Sales of frozen fish and seafood, as well as diet dinners and entrees, reflect strong consumer demand in January and February.*

Seasonal trends are something a manufacturer should watch carefully. Most manufacturers, when questioned, profess to know the correct seasons for their products. But analysts at MAMI say they have helped manufacturers perform promotional effectiveness studies which have revealed that military sales departments were not always promoting their products at the best times of the year.

"Seasonality's a factor you're not going to get out of," says Mike Grosse, formerly a national accounts manager with MAMI and now director of overseas sales at Eurpac Service Co. Grosse says that a manufacturer or broker who thinks that promoting a product when sales are low will increase their sales is probably going to be mistaken.

"The manufacturer's saying, 'Well, I don't get any volume normally during this time frame, [so] let's spend money to try and increase that.' "

But does that really work?

Often, it does not, Grosse says, either because of a lack of funding on the part of the services or because customers just don't buy that product during that time of year.

"We've proven that VPRs are not effective during a particular season. We [at MAMI] have seen manufacturer after manufacturer promote during that particular season and not get anything, and yet do something at a very different time period and do well."

The graph on page 58 shows an item in the wraps, foils and bags category which its manufacturer historically promoted during the summer. The summer — a season for picnics, camping and traveling — would logically seem to be a good time to promote this category. However, as the graph shows, the best periods are actually January/February and August/September. Through such analysis, Quaker's Graef also found that one of his company's products would do better if promoted at a different time of year, although he declined to be specific about what product or what season.

Mike Grosse suggests that if a manufacturer sees an increase for the overall category during a certain season, but not for his items or brands, he should find out why. It may be because his broker or the stores aren't following through on orders or promotions. If his competitors had a sales increase during that period, it's even more likely that there was a lack of broker or store follow-through for that promotion.

Operational Effects: Ordering Patterns, Distribution and Follow-Through

The way the military services operate their commissaries — or are forced to operate because of the constraints of doing business in a governmental system — affects store sales in ways that commercial operations are not influenced. Here are four examples:

- **Annual inventories:** When the services conduct their annual accountable inventories, some stores order less product because it makes the counting easier. And, sometimes, the services alter their accounting periods slightly to allow for the inventory period.

Rosemary Buettner says that when she was at TSA, the agency took two accountable inventories — in February and in August. Just before she retired, TSA switched to a system of only taking a single annual accountable inventory — in February. Buettner says that headquarters personnel always told the stores "not to order down," but it is her opinion that many commissary officers did so anyway. In fact, she adds, some stores in Europe actually closed down for the inventory period.

AFCOMS reports that stores may try to reduce their warehouse reserves before an accountable inventory, but they don't stop ordering and the shelves remain stocked. AFCOMS does not mandate a specific month for the accountable inventory to be held. Some stores take one once a year at no fixed month, while stores with an exceptional track record take inventory every three years. Traditionally, the most common months for AFCOMS inventories are February and March.

The Marine Corps still conducts its accountable inventories in both February and August, says Joe Jeu. The service cuts off the accounting period for those months so that stores can take inventory over a long weekend. Thus, February and August both only have about 25 "calendar days" (resulting in low sales for that month), while March and September may have as many as 35 "calendar days" (resulting in high sales for those months).

"For us, it's not a problem as long as it's consistent," he says. "We go by fiscal years, and both inventories are [held] in the middle of a quarter."

Jeu says that one advantage of the Marines' central

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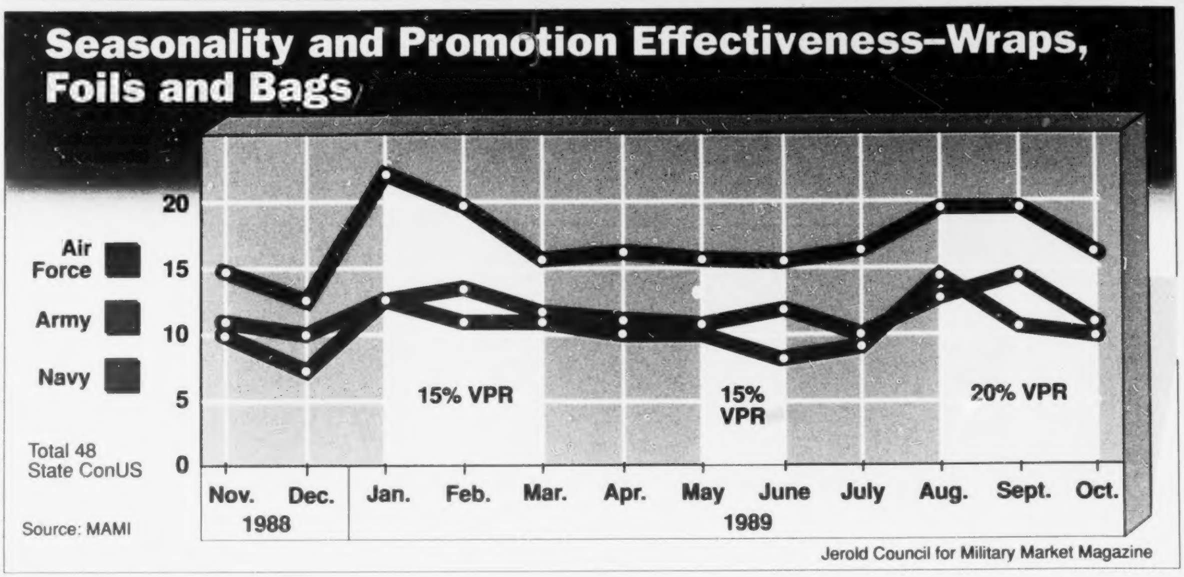

Seasonality and Promotion Effectiveness–Wraps, Foils and Bags

Jerold Council for Military Market Magazine

The logical approach to seasonality does not always pay dividends. The summer voluntary price reductions (VPR) did not generate the sales increase that other seasonal VPRs did.

distribution concept is that the agency does not have to order down during its inventory periods. "With a CDC [central distribution center], you can order and everything goes on the shelf."

Mike Grosse says that sales representatives should be aware of the ordering process during inventory times, because how a store orders can affect promotions. He says that for the majority of manufacturers — those who don't see any sales growth in February — the month is not a good time to promote.

Grosse adds that MAMI is seeing "phenomenal growth" for February from year to year, so that the inventory process is becoming less of a factor as the services become more proficient at conducting their annual counts.

- **Ordering patterns:** The way the services order at other times of the year can also affect sales. A wrong decision by a commissary officer, poor guidance from a sales rep, or an error by either of them, can result in excessive or insufficient inventory of a product. A miscalcuation about the popularity of an item leaves the store with a "dog" that takes up more space than it deserves, or it could keep sales from growing to their full potential.

One manufacturer, who didn't want to be named, says that he's seen big off-season orders come in for one of his products, particularly from overseas stores.

"I tried to talk them out of it, but I couldn't. I knew it wasn't good for either one of us," he says. He adds that sometimes, however, the store may know of an event coming up that would require larger quantities of a particular product. "Also, it's the responsibility of a good broker or manufacturer to suggest quantities."

Once a store ends up with an excessive inventory, it may not be able to order enough of other products. "They come under pressure from the services to manage their inventory," says one broker, who also asked not to be identified.

"With a high inventory-to-sales ratio and no money, a commissary officer is faced with a budget constraint and would have to make hard decisions about what to order, or what to lose stock of," says Joe Cattano, product manager/military for Planters Lifesavers Co. "It would be a tough call."

Ex-MAMI national accounts manager Grosse says that commissary officials can use these sales graphs to be aware of the trends, so that they can plan orders, or so that they'll listen to a sales rep when he makes order recommendations.

This applies to distributors as well, since many of them don't always follow a sales rep's recommended order quantities. "A promotion will come along, and a [distributor] guy will say, 'Hey, I don't want that product in my warehouse.' And [he will] only stock that much of it. 'This is what we've been ordering for the last 10 years, and this is all we're going to order.' "

Grosse says that out-of-stocks during the holidays could be avoided — and sales could grow even more — if commissary officials and distributors wouldn't hold back when they order.

The Marines' Jeu points out that sometimes commissary officers *do* place large orders when they need to, but industry representatives "back order" and may fill only 60 percent of what's requested. He says that the situation has reached the point where commissary officers order more than they think they'll need for the holidays, anticipating that some orders won't be completely filled.

Until recently, commissary officers have not had access to a wide variety of data or graphs. That may be changing, as manufacturers and commissary personnel under budgeting constraints look for data to help make tough decisions about product selection.

- **Differences among the systems:** The differences in the way the commissary services are managed affects the way that promotions are handled. This, in turn, may affect sales.

Also, the nature of the commissary system means that promotions are handled differently than they are in the commercial sector.

Grosse, along with others in industry, says that because the Air Force tends to have newer, bigger stores than the other services, and because AFCOMS mandates more promotions from headquarters, a manufacturer who presents the same promotion to all services would find a better sales increase in the Air Force than in the other services.

Air Force commissaries have more space in which to run displays, and a headquarters mandate usually means that more stores participate in the promotion. The Air

Force is also widely considered to have better follow through on its promotions.

"Because of the absence of a headquarters focus, there tends to be more spotty participation and less commitment in the Army and Navy," says one manufacturer.

AFCOMS' officials say that their new stores generate 10 percent to 15 percent growth in sales just after they are opened, and see a steady increase of 5 percent or 7 percent from then on. They note that the agency's newer stores have layouts that are conducive to displays and to shopping.

TSA's Mehler says that the figures his agency receives still show that promotions cause sales to increase, although he doesn't know if the increases are in the same proportion as those of the Air Force.

"The manufacturers that come in here are pretty pleased with the type of incremental increase," Mehler notes.

Grosse says that stores which rely heavily on the frequent delivery system (FDS) may not increase their orders to gain display activity. At meetings of the American Logistics Association, manufacturers and brokers often complain that products which are on frequent delivery do not end up on displays because the stores, relying on distributors for frequent delivery of the product, don't forward buy quantities of those items. The extra quantities in the forward buys are used to build displays. FDS manufacturers and distributors have said that non-FDS companies fill store warehouses with their products, and commissary officials use these to restock displays.

AFCOMS officials tell MILITARY MARKET that it is not true that FDS products don't get on display. They say that the stores plan ahead and make sure they get a large delivery. Officials from other services have also maintained that FDS items are not shortchanged when it comes to displays.

- **Better support in the military:** The military's handling of promotions may actually mean that a military promotion is more likely to increase sales than a comparable commercial supermarket promotion.

"Generally speaking, in the military, it's been my observation that if they agree to a promotion, they perform," says Planters Lifesavers' Cattano. "They will give you an endcap if they say they will." He compares the situation to the commercial sector, where stores may promise display space and then not deliver.

Quaker's Graef notes that on the civilian side, a promotion is not as effective because all of the discount is not passed on to the customer, as it is in the military. "Promotional dollars are more effective in the military. There is a lot of waste on the civilian side."

Graef says that Quaker runs more promotions per year in the commissaries than in commercial stores.

He and Cattano agree that the military market is different in that promotions by the No. 1 or No. 2 brand in some categories can increase growth for the entire category.

"The major marketing schools would say that promotion can't influence the category — the primary consumer demand," Cattano says. "But in the military, you can."

This is shown by the graph on below, where a promotion by the No. 1 brand caused incremental increases in sales for everyone in the category. The reason could have something to do with the lack of house brands in the military market.

Stock Fund Allocation and Budget Constraints

Each of the commissary services has a tough time operating within its overall budget constraints.

The Troop Support Agency, in particular, was plagued for years by budget problems which limited the dollars available for the stock fund and for construction. This problem was recently relieved when TSA got away from its quarterly stock fund allocation and also began using contract authority for store construction.

TSA used to receive its stock fund monies on a quarterly allocation, which meant the agency had to work three months at a time and could not shift money as needed from one period to another.

Buettner says that in her years at TSA, the agency "frequently" would be low in stock fund money at the end of a quarter, although it never actually ran out. In the third

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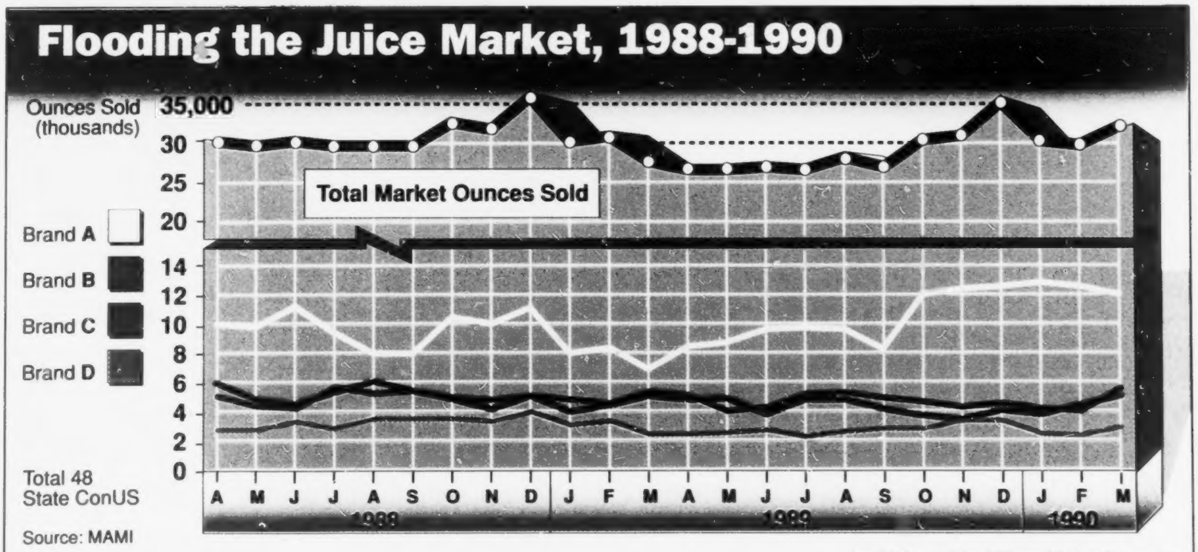

Flooding the Juice Market, 1988-1990

Source: MAMI

Jerold Council for Military Market Magazine

The graph above shows how promotions run in June and October, 1988, and October 1989 by the No. 1 brand increased total category volume for those months.

How Suppliers Use the Graphs

How do suppliers use graphic presentations of sales data? Here's how four firms do it.

- **Quaker Oats:** Maybe the strongest testimonial for graphic analysis comes from Jim Graef, manager of the military sales department at Quaker Oats Co. Graef says his department recently found great success by using graphs that combined share trend information and store trend information.

"We've gained both distribution and mandatories," he says. "But our biggest sale was within the Quaker Company — we sold our own management team."

Graef and his military sales department co-workers convinced Quaker executives to let the military department set its own programs and promotions, instead of duplicating what the civilian side was doing. This has resulted in what they now call the "Quaker Advantage" — the company's slogan for the personalized attention the company can give the military.

- **Planters Lifesavers:** Joe Cattano, product manager/military for Planters Lifesavers, says that "you don't have to be a rocket scientist" to use and understand graphs. He used some graphic information from MAMI in a presentation to his salesforce. "You could spend a lot of time preparing information with numbers and words, but when you throw up a graph and point to some peaks and valleys, everybody understands it."

Cattano says he looks at overall commissary sales trends and category trends and compares Planters Lifesavers' performance with those figures. "If I saw the whole commissary business growing at 2 percent a year and I wasn't keeping pace, I would be concerned." He says he would also be concerned if the category was growing and his company was not.

Cattano says he can use data and graphs to compare the effectiveness of different promotions for the same brand — promotions that may have used different VPR levels or different marketing concepts.

General Foods: John Sarver, military sales planning manager for General Foods, says that there is a "constant need for maintaining awareness" of the military market in a company where the military sales department is reliant on the division of funding within the company.

Sarver says that civilian divisions of big manufacturers have a greater advantage in that they are able to get into analyzing sales and seasonality in greater depth. "You don't find time in the military because you are dealing with so many divisions," unlike the brand people, who can specialize, he says. "We probably won't ever be able to get to where the civilian side is, but we need to get somewhere closer to what they're doing."

- **L.J. Elkin:** Lauren Elkin III, president of the L.J. Elkin, Inc., brokerage company, says his company relies most heavily on regional sales data, using it in conjunction with demographics. The information helps to develop marketing strategies that are tailored to the military market.

With graphs that only show a snapshot in time, it is important to know the underlying factors that led to the snapshot situation.

One broker, who asked not to be identified, claims that most manufacturers still do not look at data in a sophisticated way. "There's no real clearinghouse for the data," he says, noting that it takes the services months to put out their end-of-year sales figures. **KMcB**

month of a quarter, it would be difficult for the stores to have everything on the shelf that they wanted.

"We'd have to be very careful to manage," she says. "Stores might not be able to take advantage of the big sales or buying ahead at the end of the quarter."

Bill Mehler says that he's not sure whether the quarterly limitations affected sales. He says that in his experience Army commissaries were not prevented from buying by a lack of funds. At any rate, with the recent change, "we think we have overcome that obstacle."

"Philosophically, if the manager is effective in running the operation, then the dollars that he needs to run it will be available," Mehler says. "I was running a commissary for five years, and when I needed dollars to requisition product, I got the dollars to requisition product."

He admits that stores with a high inventory-to-sales ratio may not have that luxury, since the excess product ties up funds. "Any time you're trying to control your assets and work within a budget, you have to control your inventory." He says no one in TSA has attempted to determine the impact of these problems on sales. He thinks that if product choices in a category are limited, then not being able to order an item could affect sales; if options are available, shoppers can buy other brands.

"It would depend on the extent of the product availability and the perceived substitutability on the part of the consumer," he says.

Buettner cites the European market, where a captive audience is forced to buy what is available. "You don't have the sales fluctuations you may have in the States," she says.

It is generally perceived that Army commissaries have a higher inventory-to-sales ratio than do Air Force, Navy or Marine stores; stores in the other services are not as affected by inventory constraints.

General Foods' John Sarver points out that commercial industry is "just as inventory-and-cash conscious as the military." He says that, on both sides, stores run the gamut in their ability to manage inventory.

Planters Lifesavers' Cattano says that the overall commissary budget is getting more critical, and that in the past six months his company has become more aware of constraints that commissaries face. He says that an analysis of total commissary sales can be useful for monitoring these budget effects.

Space Limitations

Commissaries tend to be physically smaller than their commercial counterparts which do similar volume, but they see proportionately more traffic because they are open fewer hours.

This translates into space shortages. If a store is too small to keep proper quantities on the shelf, sales are lost when customers go somewhere else.

Mike Grosse notes that the Virginia commissary at Fort "Belvoir is the No. 1 store in the United States, and it can't even keep product on the shelf because it's too small."

Lack of space also means that the stores have less room for massive displays or for many different displays. Because shoppers buy on impulse when they see a display, commissaries could be losing these incremental sales. They also lose sales at the front end because they are required to keep the register areas clear.

However, fewer displays may also bring some sales benefits. Quaker's Graef points out that when there are too many displays in a store, a product gets lost in the shuffle. For this reason, the commissary services have to be careful not to book too many companies for their special sales events. And companies with a small market or

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dollar share need to think carefully about whether it's worthwhile to promote their product during a big category event like a frozen food festival.

Concludes Planters Lifesavers' Cattano, "I don't think it's true that promotions are hurt by space constraints in the military." He says that the superior follow-through of the military versus civilian stores makes for successful promotions despite the space constraints.

The way the services built their stores historically affected how much space they had available for displays. Since AFCOMS began using the contract authority method of construction funding, building stores based on expected revenues and not what is in the bank, the result has been bigger, newer stores with more room for displays.

The tendency for Air Force stores to be larger than those in the other services is one reason AFCOMS has the highest sales volume, despite having fewer stores than the Army.

The Army recently switched to using the contract authority method, but it will be some time before it has many large stores with more display space.

Small overseas stores are especially hurt by their inability to run big promotions. However, John Sarver of General Foods notes that just because a display is small, or has less tonnage on the floor, does not mean it will bring in fewer sales. A small display simply requires more "policing." Provided the displays are kept stocked, the amount of sales should not change.

"A small store does sometimes feel limited by what they can do, but I don't think that is an accurate concern," he says. "With an attractive display that is actively stocked, a shopper is just as drawn to it as he would be with a much larger display in a large store."

The Effects of Competition

In addition to analyzing overall commissary sales data and looking at data for their own brands, manufacturers can help themselves by charting the sales and promotional activity of their competitors.

One manufacturer who has made use of MAMI's promotional effectiveness studies explains that a revealing look at what his competitors were doing made him more conscious of his own plan. "The MAMI graphs over time can show historical promotional patterns of your competitors, how some repeat themselves with their promotional plans, running the same things in certain months."

For this manufacturer, the lesson has been to not become so predictable with his own promotions. "We're much more conscious of that now that we have seen the graphs," he says.

Knowing when the competition is promoting may also cause a manufacturer to alter his own promotion plans. The question then becomes, should I go head-to-head, or should I save the money? General Foods' Sarver says that a company must decide brand by brand whether to "go into the fray."

"If that is the prime selling season for a product, the only question is, 'Do I have the resources to go into that?' There is no hard-and-fast answer."

Mike Grosse says that manufacturers have to consider whether the takeaway will still be there, and whether there will be money for the commissaries to buy the product.

"If you're competing against the Procter & Gambles of the world, with their promotion they've got in January in which they tie up almost every end aisle display in the commissary . . . Guys sitting there looking at a marketing plan, do they really want to do anything during that time and fight against that?"

Grosse says the first look should be at overall commissary sales, "for them to be aware of the Februarys and Decembers of the world, on a real visual basis." After that, manufacturers should look at the trends for their category, and for their competitors.

Cattano notes, "It's nice if the sum total of everybody's efforts is increasing that category, regardless of the share position. If a couple of people promote, and the category is growing, you can have a very solid base to go and talk to the military" about master stock lists or promotions.

He says that when manufacturers can demonstrate that their sales are growing, and that category sales are growing, they can then ask for space to be taken from another category.

"In the next 12 months, the military is going to be taking a hard look at the items they're offering to patrons, and by taking some items out, they can manage their inventories better. It makes sense."

"But I would prefer it if I were not the one losing," Cattano adds jokingly.

Environmental Factors

There are other environmental factors that affect sales.

Inflation is one example. The sales figures shown in these graphs have not been adjusted for inflation. TSA's former resource director, Rosemary Buettner, remembers that for some months in the past few years, inflation was flat. In fact, "I remember a couple of months where we were showing negative inflation — a deflation," she says.

This could prevent dollar sales from growing at the expected rate. A sudden inflationary period would obviously cause dollar sales to rise as prices increased. At the same time, real sales of luxury items could decline as customers cut back to counter the rising prices.

In addition, product "fads" can affect sales for some categories at different times. As one item becomes popular, another item or category may lose sales as a result.

In the months to come, inflation or deflation, pressures on the Defense Department, base closings and troop withdrawals could all have an impact on sales. And as the commissary systems consolidate, their operations will be further affected.

If the new commissary system uses central distribution centers, annual accountable inventories could be handled more easily. With the reserve stock in one or several places instead of scattered throughout different store backrooms, counting will be easier. There should be no reason for stores to order down or to close when an inventory is taken. Also, an improved automation system should help with the inventory process, as perpetual inventory systems can eliminate the need for accountable inventories.

The system should be able to compensate more effectively for ordering errors. An overage could be stockpiled in the central warehouse and quickly diverted to many different stores. If the central distribution center were doing the ordering, it would be aware of the excess on hand and could account for it in future orders for the many stores it serves.

Since the new system will pull the best employees from the four commissary agencies, it may operate with even more marketing expertise. The new system will have the capability to manage data of all kinds — including demographics, planograms and customer feedback — and to work with it in new ways and with better results. And as store-level personnel gain increased access to these techniques, the benefits will be seen at all levels and in all aspects of store operations.

For resale professionals in the government and in industry, it appears to be a good time to break new ground in the use of data and graphs. MM

Special Report: DoD's Exchange Study C8910-1

Military Market

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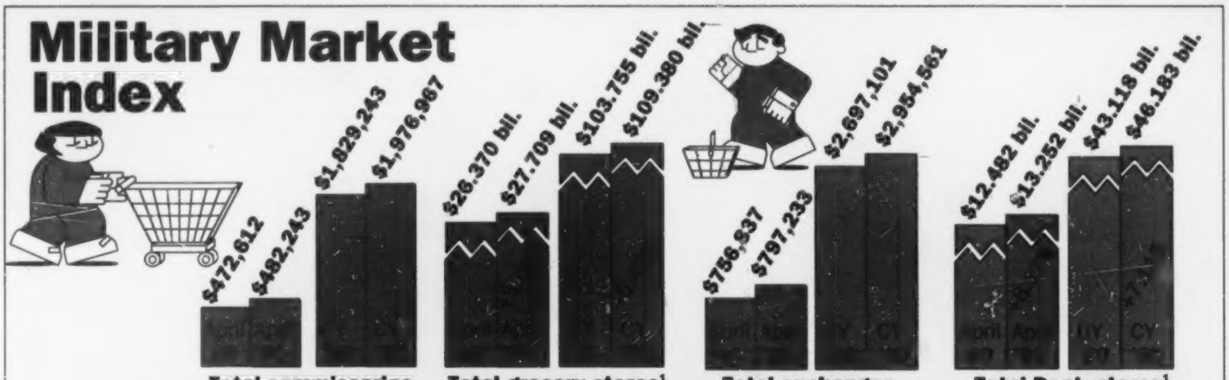
Military Market Index



COMMISSARIES		**APRIL**			**YEAR-TO-DATE**		
		CY'89	**CY'90**	**% CHANGE**	**CY'89**	**CY'90**	**% CHANGE**
	CONUS	$121,590	$126,630	+4.15	$469,775	$503,160	+7.11
	OVERSEAS	45,045	45,150	+0.23	174,510	180,180	+3.25
ARMY	**TOTAL**	**166,635**	**171,780**	**+3.09**	**644,285**	**683,340**	**+6.06**
	CONUS	179,840	179,581	-0.14	680,110	749,041	+10.14
	OVERSEAS	39,686	38,852	-2.10	147,109	159,676	+8.54
AIR FORCE	**TOTAL**	**219,526**	**218,433**	**-0.50**	**827,219**	**908,717**	**+9.85**
	CONUS	63,632	69,243	+8.82	267,392	288,666	+7.96
	OVERSEAS	7,166	7,445	+3.89	29,601	30,989	+4.69
NAVY	**TOTAL**	**70,798**	**76,688**	**+8.32**	**296,993**	**319,655**	**+7.63**
	CONUS	14,634	14,444	-1.30	57,017	61,799	+8.39
	OVERSEAS	353	263	-25.50	1,278	1,127	-11.82
MARINE CORPS*	**TOTAL**	**14,987**	**14,707**	**-1.87**	**58,295**	**62,926**	**+7.94**
	CONUS	260	280	+7.69	1,120	1,158	+3.39
	OVERSEAS	406	355	-12.56	1,331	1,171	-12.02
COAST GUARD	**TOTAL**	**666**	**635**	**-4.65**	**2,451**	**2,329**	**-4.98**
	CONUS	$379,956	$390,178	+2.69	$1,475,414	$1,603,824	+8.70
	OVERSEAS	$92,656	$92,065	-0.64	$353,829	$373,143	+5.46
ALL COMMISSARIES	**TOTAL**	**$472,612**	**$482,243**	**+2.04**	**$1,829,243**	**$1,976,967**	**+8.08**

EXCHANGES		**APRIL**			**YEAR-TO-DATE**		
	CONUS	$323,379	$341,359	+5.56	$1,106,985	$1,244,522	+12.42
	OVERSEAS	246,605	258,533	+4.84	867,653	938,561	+8.17
AAFES	**TOTAL**	**569,984**	**599,892**	**+5.25**	**1,974,638**	**2,183,083**	**+10.56**
	CONUS[2]	927	1,038	+11.97	3,200	4,418	+38.06
	OVERSEAS[2]	1,678	2,226	+32.66	5,570	9,148	+64.24
MAIL ORDER	**TOTAL[3]**	**2,605**	**3,264**	**+25.30**	**8,770**	**13,566**	**+54.69**
	ConUS[4]	106,520	103,754	-2.60	397,488	412,266	+3.72
	OVERSEAS[4]	42,961	47,745	+11.14	166,156	182,897	+10.08
NAVY	**TOTAL[4]**	**149,481**	**151,499**	**+1.35**	**563,644**	**595,163**	**+5.59**
	CONUS	23,817	30,893	+29.71	103,788	117,466	+13.18
	OVERSEAS	3,351	3,552	+6.00	16,574	14,116	-14.83
MARINE CORPS*	**TOTAL[2]**	**27,168**	**34,445**	**+26.79**	**120,362**	**131,582**	**+9.32**
	CONUS[2]	6,995	7,498	+7.19	27,310	28,706	+5.11
	OVERSEAS[2]	604	635	+5.13	2,377	2,461	+3.53
COAST GUARD	**TOTAL[2]**	**7,599**	**8,133**	**+7.03**	**29,687**	**31,167**	**+4.99**
	CONUS	$461,638	$484,542	+4.96	$1,638,771	$1,807,378	+10.29
	OVERSEAS	$295,199	$312,691	+5.93	$1,058,330	$1,147,183	+8.40
ALL EXCHANGES	**TOTAL**	**$756,837**	**$797,233**	**+5.34**	**$2,697,101**	**$2,954,561**	**+9.55**

1) SOURCE: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Overseas Marine Corps figures do not include those for camps Butler & Iwakuni, which were unavailable at press time. NOTE: Individual figures may not equal totals because of rounding. All sales are expressed in thousands (000), except grocery and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann for Military Market Magazine

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On-Site Coverage of the MESPDW

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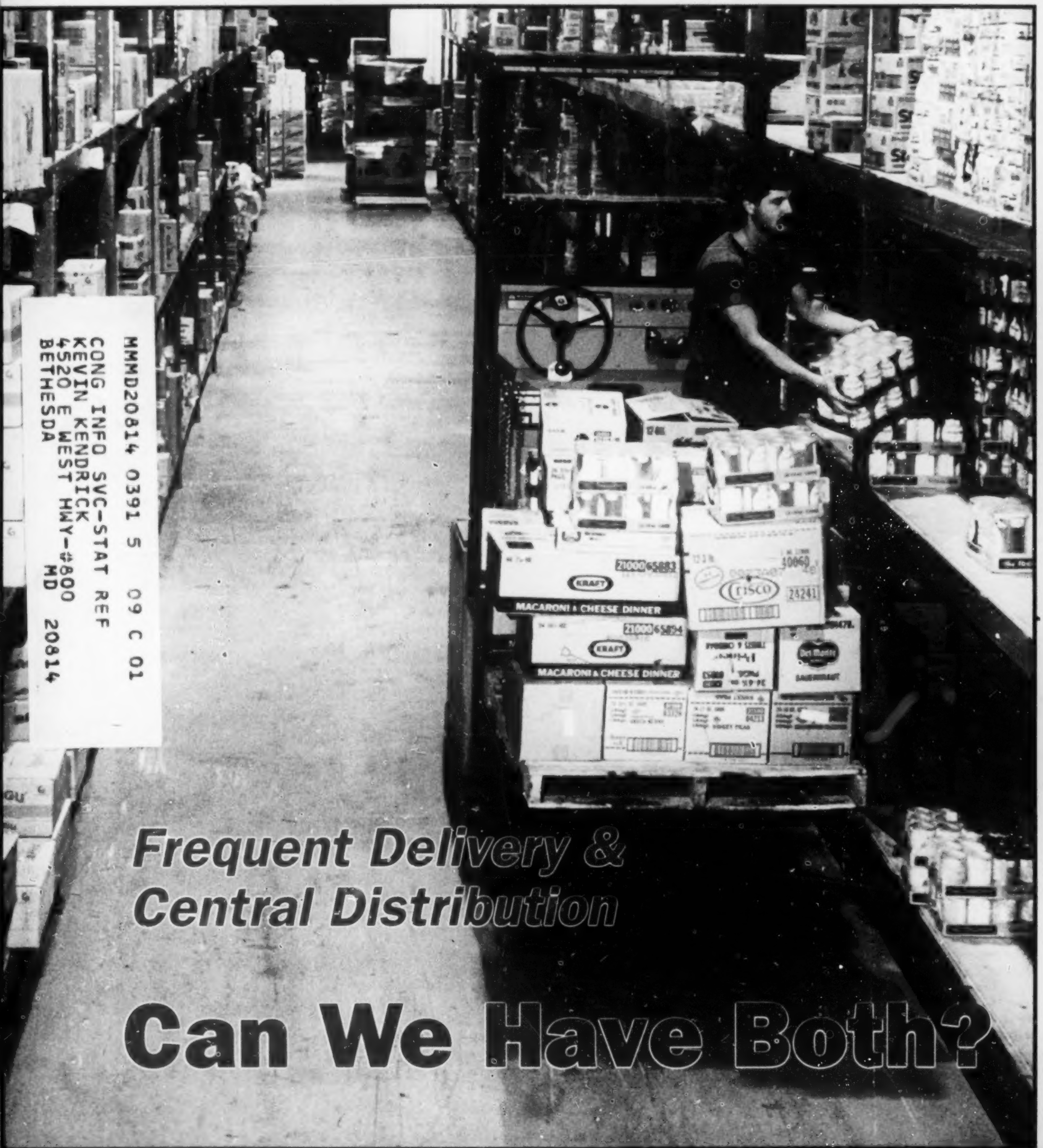

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Frequent Delivery & Central Distribution

Can We Have Both?

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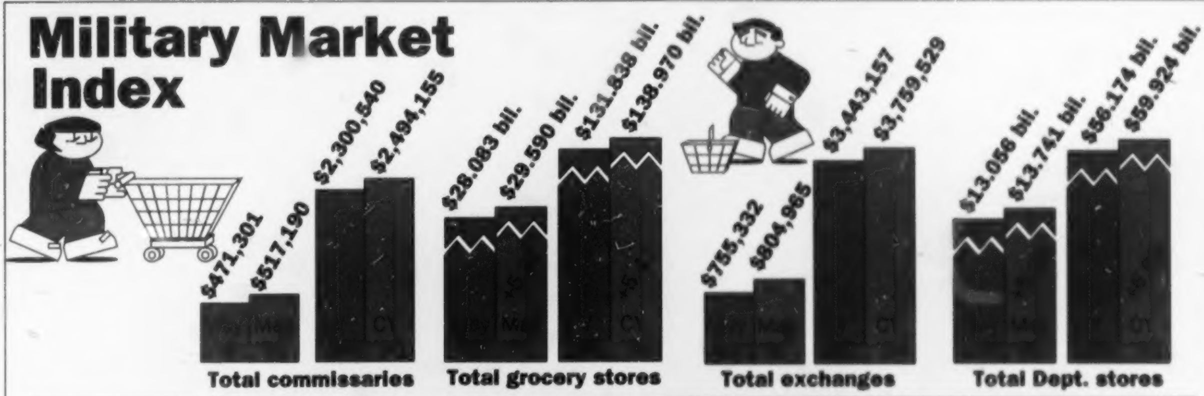

COMMISSARIES		MAY			YEAR-TO-DATE		
		CY'89	CY'90	% CHANGE	CY'89	CY'90	% CHANGE
	CONUS	$121,905	$134,295	+10.16	$591,680	$637,455	+7.74
	OVERSEAS	43,890	49,035	+11.72	218,400	229,215	+4.95
ARMY	**TOTAL**	**165,795**	**183,330**	**+10.58**	**810,080**	**866,670**	**+6.99**
	CONUS	177,685	197,897	+11.38	857,794	946,938	+10.39
	OVERSEAS	39,526	42,822	+8.34	186,634	202,498	+8.50
AIR FORCE	**TOTAL**	**217,211**	**240,719**	**+10.82**	**1,044,428**	**1,149,436**	**+10.05**
	CONUS	65,371	68,502	+4.79	332,763	357,168	+7.33
	OVERSEAS	7,377	7,542	+2.24	36,977	38,531	+4.20
NAVY	**TOTAL**	**72,748**	**76,044**	**+4.53**	**369,740**	**395,699**	**+7.02**
	CONUS	14,605	16,260	+11.33	71,622	78,059	+8.99
	OVERSEAS	331	296	-10.57	1,609	1,423	-11.56
MARINE CORPS	**TOTAL**	**14,936**	**16,556**	**+10.85**	**73,231**	**79,482**	**+8.54**
	CONUS	274	294	+7.30	1,394	1,451	+4.09
	OVERSEAS	337	247	-26.71	1,667	1,417	-15.00
COAST GUARD	**TOTAL**	**611**	**541**	**-11.46**	**3,061**	**2,868**	**-6.31**
	CONUS	$379,840	$417,248	+9.85	$1,855,253	$2,021,071	+8.94
	OVERSEAS	$91,461	$99,942	+9.27	$445,287	$473,084	+6.24
ALL COMMISSARIES	**TOTAL**	**$471,301**	**$517,190**	**+9.74**	**$2,300,540**	**$2,494,155**	**+8.42**

EXCHANGES		MAY			YEAR-TO-DATE		
	CONUS	$325,569	$343,494	+5.51	$1,432,554	$1,588,017	+10.85
	OVERSEAS	241,080	254,360	+5.51	1,108,733	1,192,921	+7.59
AAFES	**TOTAL**	**566,649**	**597,854**	**+5.51**	**2,541,287**	**2,780,938**	**+9.43**
	CONUS[2]	929	1,133	+21.96	4,130	5,551	+34.41
	OVERSEAS[2]	1,784	2,266	+27.02	7,354	11,414	+55.21
MAIL ORDER	**TOTAL**[3]	**2,713**	**3,399**	**+25.29**	**11,484**	**16,965**	**+47.73**
	CONUS[4]	106,520	109,957	+3.23	495,291	522,224	+5.44
	OVERSEAS[4]	42,961	49,358	+14.89	208,555	232,256	+11.36
NAVY	**TOTAL**[4]	**149,481**	**159,315**	**+6.58**	**703,846**	**754,480**	**+7.19**
	CONUS*	24,789	32,729	+32.03	128,578	150,195	+16.81
	OVERSEAS†	3,979	3,297	-17.14	20,554	17,413	-15.28
MARINE CORPS	**TOTAL**[2]	**28,768**	**36,026**	**+25.23**	**149,132**	**167,608**	**+12.39**
	CONUS[2]	7,110	7,723	+8.62	34,420	36,429	+5.84
	OVERSEAS[2]	611	648	+6.06	2,988	3,109	+4.05
COAST GUARD	**TOTAL**[2]	**7,721**	**8,371**	**+8.42**	**37,408**	**39,538**	**+5.69**
	CONUS	$464,917	$495,036	+6.48	$2,094,973	$2,302,416	+9.90
	OVERSEAS	$290,415	$309,929	+6.72	$1,348,184	$1,457,113	+8.08
ALL EXCHANGES	**TOTAL**	**$755,332**	**$804,965**	**+6.57**	**$3,443,157**	**$3,759,529**	**+9.19**

1) SOURCE: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. * Barstow figures, unavailable at press time, are not included. † Figures for Camp Butler, Iwakuni Japan, Guantanamo Bay Cuba, Rodman Panama, unavailable at press time, are not included. NOTE: Individual figures may not equal totals because of rounding. All sales are expressed in thousands (000), except grocery and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann

SCUTTLEBUTT

☐ **SPLIT DECISION?:** With less than a year left as AAFES commander, Maj. Gen. Jeffery Kahla reportedly doesn't want the responsibility of consolidating the Marines and Navy into AAFES. But UAs just below Kahla are said to be eager to gobble up the two smaller services.

☐ **MORE AD SPENDING:** Navy FSOs are giving 25 percent of their advertising budgets back to Staten Island to let NAVRESSO do more headquarters-directed sale events during 1991.

☐ **TRACKING THE TROOPS:** There's confusion about how many regional operations directors have actually arrived at Dallas's AAFES Operations Center. General Kahla said in PDW opening remarks that three are in place, but AAFES employees at the show booth confidently said only one was stationed in Dallas.

☐ **FAREWELL AND POSSIBLE HAIL:** VCS Director Bob Mantica will probably be taken off VCS's books soon and formally moved to another VA department. This will free VCS of the position so a permanent director can be sought and an early retirement for Mantica can be smoothed.

☐ **STUDY SQUABBLES:** While the Jones II study was mostly non-parochial, not everybody abided by that rule. During some focus group discussions, when Marine or Navy reps made recommendations, some AAFES representatives reportedly called the suggestions "unacceptable," adding that AAFES "will not change" its way of doing business.

☐ **CLEANING UP ON H&BA:** H&BA manufacturers and brokers met during the MESPDW, where about 30 people discussed a new H&BA task force being developed by ALA. Co-chairs are Joe Olding of Webco and Walt Loving of Monarch-Crown, but membership hasn't been decided. The group will review commissary H&BA policies, analyzing MAMI data and comparing it with commercial data. H&BA reps worry that commissaries are trying to squeeze out the H&BA category.

ALA has also scheduled an exchange-oriented H&BA meeting at 5:15 p.m. on Monday, Sept. 17, during the "Exclusively HBA" show in Detroit. Buyers from all the services plan to attend. A civilian retailer will also talk about the current market for H&BA products.

☐ **WHO'S HAPPY NOW?** AAFES didn't announce the standards it used to select the recipients of its first group of vendor appreciation awards — General Kahla admitted they were "highly subjective." Consequently, many suppliers feel they're in the dark about how to compete for the awards the next time around. The anger and confusion were reflected in a joke that circulated 10 minutes after the banquet was over: "So, what do you have now? Twenty-one happy suppliers. And 1,279 who are totally pissed off."

☐ **PROFITABLE PROGRAMS:** The Marines and Coast Guard are finding that vendor co-op money can make for modest profits. The Coasties cleared a couple hundred bucks in co-op dollars from their anniversary promotion, while the Marines made more than $2,500 from their Holiday Gift Giving catalog.

☐ **SOME SMOKE, NO FIRE . . . YET:** New Mexico Democrat Jeff Bingaman was ready to introduce legislation to boost commissary and exchange tobacco prices to commercial retail levels. But as a Senate session wore on late into Saturday, Aug. 4, Bingaman didn't come through. North Carolina Republican Jesse Helms was ready with his own counter amendment.

The House and Senate Versions of the Defense Authorization Bill

One difference the House/Senate conference committee will have to work out is each service's share of military personnel cuts, congressional aides say. The Army takes the largest cuts in both House and Senate plans, but the difference in the relative burdens do shift between the bills. The chart below shows how many billets each service would lose under the Senate and House bills, what percentage of the existing force that cut represents (in parenthesis), and what percentage of the overall force cut the service would bear.

		SENATE VERSION		HOUSE VERSION	
	Current Strength	**Proposed cut**	**% of overall cut**	**Number cut**	**% of overall cut**
Navy	590,501	22,000 (-3.7%)	22	20,000 (-3.4%)	15.4
Army	744,169	40,000 (-5.4%)	40	68,500 (-9.2%)	52.9
Air Force	545,000	35,000 (-6.4%)	35	36,500 (-6.7%)	28.2
Marines	196,735	3,000 (-1.5%)	3	4,500 (-2.3%)	3.6
TOTAL	**2,076,405**	**100,000 (-4.8%)**	**100**	**129,500 (-6.2%)**	**100.0**

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■ 1991 PROMOTIONAL CALENDAR ■ MILITARY MARKET ALMANAC

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Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1990 $6.00

'I DON'T WAIT. I MAKE DECISIONS AND MOVE.'

Maj. Gen. John P. Dreska
Director
Defense Commissary Agency

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Defense Commissary Agency
MG John P. Dreska, Director

OCTOBER 1990 **VOL. 41, NO. 10**

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Military Market
MAGAZINE

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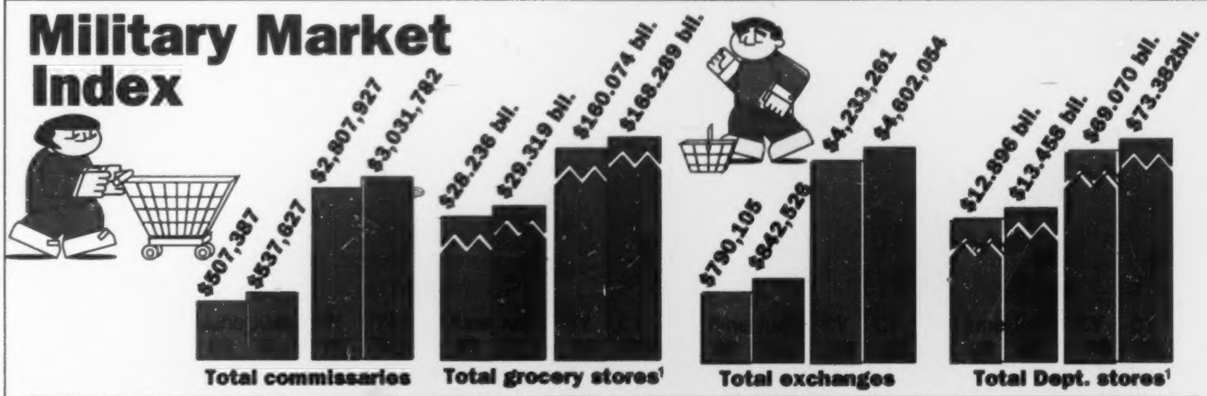
Military Market Index



COMMISSARIES		**JUNE**			**YEAR-TO-DATE**		
		CY '89	**CY '90**	**% CHANGE**	**CY '89**	**CY '90**	**% CHANGE**
	CONUS	$127,995	$137,130	+7.14	$719,675	$774,585	+7.63
	OVERSEAS	44,940	47,775	+6.31	263,340	276,990	+5.18
ARMY	**TOTAL**	**172,935**	**184,905**	**+6.92**	**983,015**	**1,051,575**	**+6.97**
	CONUS	188,919	200,053	+5.89	1,046,714	1,146,991	+9.58
	OVERSEAS	40,749	43,275	+6.20	227,383	245,773	+8.09
AIR FORCE	**TOTAL**	**229,668**	**243,328**	**+5.95**	**1,274,097**	**1,392,764**	**+9.31**
	CONUS	79,740	83,360	+4.54	412,503	440,528	+6.79
	OVERSEAS	8,742	9,401	+7.54	45,719	47,932	+4.84
NAVY	**TOTAL**	**88,482**	**92,761**	**+4.84**	**458,222**	**488,460**	**+6.60**
	CONUS	15,347	15,745	+2.59	86,968	93,804	+7.86
	OVERSEAS	332	307	-7.53	1,941	1,730	-10.87
MARINES CORPS	**TOTAL**	**15,679**	**16,052**	**+2.38**	**88,909**	**95,534**	**+7.45**
	CONUS	324	347	+7.10	1,718	1,798	+4.66
	OVERSEAS	339	234	-21.74	1,966	1,651	-16.02
COAST GUARD	**TOTAL**	**623**	**581**	**-6.74**	**3,684**	**3,449**	**-6.38**
	CONUS	$412,325	$436,635	+5.90	$2,267,578	$2,457,706	+8.38
	OVERSEAS	$95,062	$100,992	+6.24	$540,349	$574,076	+6.24
ALL COMMISSARIES	**TOTAL**	**$507,387**	**$537,627**	**+5.96**	**2,807,927**	**$3,031,782**	**+7.97**
GROCERY STORES	***U.S.*** [1]	*$28.236 bil.*	*$29.319 bil.*	*+3.84%*	*$160.074 bil.*	*$168.289 bil.*	*+5.13%*

EXCHANGES		**JUNE**			**YEAR-TO-DATE**		
	CONUS	$331,741	$345,194	+4.06	$1,764,2952	$1,933,210	+9.57
	OVERSEAS	240,880	261,045	+8.37	1,349,613	1,453,967	+7.37
AAFES	**TOTAL**	**572,621**	**606,239**	**+5.87**	**3,113,908**	**3,387,177**	**+8.78**
	CONUS[2]	891	1,119	+25.59	5,020	6,670	+32.87
	OVERSEAS[2]	1,698	2,585	+52.24	9,052	13,999	+54.65
MAIL ORDER	**TOTAL**[3]	**2,589**	**3,704**	**+43.07**	**14,072**	**20,669**	**+46.88**
	CONUS[4]	124,559	127,565	+2.41	619,850	649,789	+4.83
	OVERSEAS[4]	51,108	58,798	+15.05	259,663	291,054	+12.09
NAVY	**TOTAL**[4]	**175,667**	**186,363**	**+6.09**	**879,513**	**940,843**	**+6.97**
	CONUS	26,588	33,475	+25.90	155,166	183,669	+18.37
	OVERSEAS*	4,796	4,129	-13.91	25,350	21,542	-15.02
MARINES CORPS	**TOTAL**[2]	**31,384**	**37,604**	**+19.82**	**180,516**	**205,211**	**+13.68**
	CONUS[2]	7,226	7,954	+10.07	41,646	44,383	+6.57
	OVERSEAS[2]	618	662	+7.12	3,606	3,771	+4.58
COAST GUARD	**TOTAL**[2]	**7,844**	**8,616**	**-9.84**	**45,252**	**48,154**	**+6.41**
	CONUS	$491,005	$515,005	+4.95	$2,585,977	$2,817,721	+8.96
	OVERSEAS	$299,100	$327,219	+9.40	$1,647,284	$1,784,333	+8.32
ALL EXCHANGES	**TOTAL**	**$790,105**	**$842,526**	**+6.63**	**$4,233,261**	**$4,602,054**	**+8.71**
DEPARTMENT STORES	***U.S.*** [1]	*$12.896 bil.*	*$13.458 bil.*	*+4.36%*	*$69.070 bil.*	*$73.382 bil.*	*+6.24%*

1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Figures for Camp Butler and Iwakuni Japan, unavailable at press time, are not included. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overses is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann

JONES II

Navy's Howard "disappointed" with Rice's premise

By MICHELLE ZELSMAN

Responding to a June 4 memo by Air Force Secretary Donald Rice which called for a halt to the Armed Forces Exchange Study, Under Secretary of the Navy J. Daniel Howard said that the study should go on without bias or interference.

Howard said in a July 3 memo to Deputy Secretary of Defense Donald J. Atwood that he was "disappointed to learn that Secretary Rice had already concluded what this study group was to assess" — the feasibility of consolidation.

Howard said he strongly disagreed with "the premise that AAFES is a preferred system and with the conclusion that the consolidation should proceed."

He said that "by no means" is AAFES the most favorable operator of exchanges. The Navy and Marine Corps "would suffer significantly in performance, profitability and morale, welfare and recreation (MWR) dividends in a consolidated system," according to Howard's memo.

The memo outlines the differences in the services' fundamental operating philosophies. While AAFES has invested heavily in its overhead and infrastructures, the Navy and Marines return a "greater portion of earnings to sailors and marines in the form of MWR benefits." *[See chart.]*

Howard added that he is concerned with the basic operating principles of consolidation. Referring to available industry projections, he said that "retailers of the next decade will be highly decentralized," and not "burdened by large investments in warehouses and distribution systems."

Current Marine Corps and Navy operations will be properly positioned, he said, if this projection is correct.

He also pointed out that the Marines only recently consolidated their MWR activities into a single organization, and that the new structure provides opportunities for efficiencies and savings. Also, the Navy is moving along with its own organizational improvements.

Howard said that these matters should be addressed in the study. *[See the executive summary of the consolidation report, beginning on page 78, to see how these issues were addressed.]*

While Howard said that a consolidation study that examines the pros and cons of a possible merger is a "worthy goal," he said he is "strongly against" the presumption of an all-or-nothing option.

Howard concluded that the study should be permitted to proceed without bias or interference, and that, upon its conclusion, military service principals should be given "adequate opportunity to present arguments" relative to the recommendation.

Three Exchange Systems, 1985 – 1988

	FY '88	FY '87	FY '86	FY '85
	Net Profit as Percent of Sales			
AAFES	3.5%	4.4%	4.4%	3.6%
Marines	4.8	4.6	4.3	4.4
Navy	5.0	4.8	5.1	4.7
	MWR Dividends as Percent of Sales			
AAFES	2.0%	2.2%	2.2%	1.8%
Marines	3.6	3.7	3.7	3.7
Navy	5.0	4.1	3.5	3.6
	MWR Dividends Per Capita			
AAFES	$ 89	$ 86	$75	$57
Marines	103	106	99	96
Navy	147	115	90	97
	Percent of Return on Assets			
AAFES	8.6%	11.6%	10.7%	9.1%
Marines	14.2	15.2	11.6	12.4
Navy	14.5	13.6	15.0	15.4
	Percent of Return on Net Worth			
AAFES	12.7%	16.3%	16.2%	13.0%
Marines	20.9	24.0	15.0	17.4
Navy	24.1	22.0	23.2	23.6
	Payroll as a Percent of Sales			
AAFES	16.4%	15.2%	16.3%	15.4%
Marines	16.3	14.8	14.9	15.2
Navy	13.4	14.1	13.7	13.3
	Inventory Turns Per Year			
AAFES	2.9	3.1	3.2	3.1
Marines	4.2	3.7	3.5	3.8
Navy	3.1	3.5	3.6	3.8

SOURCE: Department of the Navy

MARINE EXCHANGES

House looks to close NAF fund loss

By MICHELLE ZELSMAN

The House Armed Services Committee is anxious to put to rest a three-year-old matter that resulted in the loss of nearly $19 million in nonappropriated funds from the Marine Corps Exchange System, said Rep. Marvin Leath, D-Texas, in a July 10 letter to the Secretary of the Navy, Lawrence Garrett, III.

Before Leath sent his letter, HASC had agreed to withhold action pending investigations being conducted by the Department of the Navy and the Department of Justice. The investigations sought to recover funds that were lost during "improper investment practices."

However the final results of these investigations were limited. Leath said, therefore, that on behalf of the integrity of the nonappropriated fund investment program, "those govern-

See NAF FUND, page 74

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DESIGN BY JEROLD COUNCIL

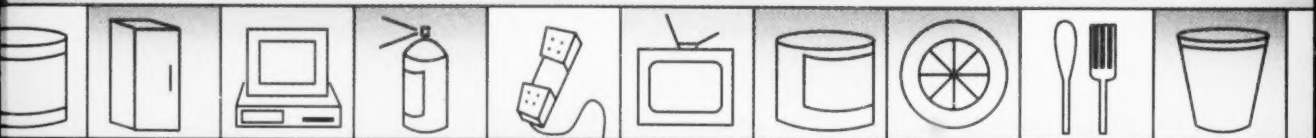
TOTAL POPULATION OF THE MILITARY COMMUNITY*

ACTIVE DUTY	**NUMBER**	**PERCENT**
Active duty personnel	2,166,146	17.4
Males	1,930,771	15.5
Females	235,375	1.9
Dependents	2,832,691	22.8
Spouses	1,187,226	9.6
Children	1,630,992	13.1
Other	14,473	0.1
Total Active Duty	**4,998,837**	**40.2**
RETIREES		
Retired military**	1,595,776	12.8
Spouses	1,250,799	10.1
Children	1,721,500	13.9
Total Retired	**4,568,075**	**36.8**
RESERVISTS		
In paid status	1,182,572	9.5
Males	1,035,050	8.3
Females	147,522	1.2
Spouses	761,576	6.2
Children	911,880	7.3
Total Reservists	**2,856,028**	**23.0**
TOTAL MILITARY COMMUNITY	**12,422,940**	**100.0**

*As of FY 1990. Includes both DoD and U.S. Coast Guard in active duty, retired and reserve personnel data.

**Includes 144,847 families receiving retired benefits under RSFPP or Survivor Benefit Plan.

SOURCE: DoD Directorate for Information, Operations and Reports.



RACE BREAKDOWN OF ACTIVE DUTY MILITARY

CAUCASIAN	1,535,798	71%
BLACK	441,894	21%
HISPANIC	95,310	4%
OTHER	93,144	4%

As of March 31, 1990.

SOURCE: Research Department, Army Times Publishing Co.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Years of age	Men	Women	All
Under 21	17.39%	17.39%	17.39%
21–25	30.96%	33.91%	31.27%
26–29	17.80%	20.87%	18.14%
30–34	15.11%	16.08%	15.21%
35–39	10.96%	8.25%	10.68%
40 and over	7.79%	3.37%	7.32%

As of Fiscal Year 1990. Does not include Coast Guard.

SOURCE: DoD Directorate of Information, Operations & Reports.

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 20	72,540	6.1
20–24	368,634	31.0
25–29	319,235	26.9
30–34	250,030	21.1
35–39	158,741	13.4
40 and over	18,046	1.5
Total	**1,187,226**	**100.0**

As of June 30,1990.
SOURCE: Defense Eligibility Enrollment System

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	Total Active Duty	Percent Male	Percent Female
CY1989	2,166,146	89.1	10.9
CY1988	2,174,717	89.5	10.5
CY1987	2,211,871	89.8	10.2
CY1986	2,205,497	89.8	10.2
CY1985	2,190,016	90.2	9.8
CY1984	2,176,628	90.6	9.4
CY1983	2,123,349	90.7	9.3
CY1982	2,108,612	91.0	9.0

As of September 30th for each year listed.
SOURCES: DoD and Department of Transportation.

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 5	497,371	30.5
5–9	567,748	34.8
10–14	394,700	24.2
15–17	171,173	10.5
Total	**1,630,992**	**100.0**

As of June 30, 1990.
SOURCE: Defense Eligibility Enrollment System

ACTIVE DUTY MILITARY BY RANK, SEX AND SERVICE

Rank	ARMY Male	ARMY Female	NAVY Male	NAVY Female	MARINE CORPS Male	MARINE CORPS Female	AIR FORCE Male	AIR FORCE Female
OFFICERS								
O-7–O-10	396	2	254	2	69	1	331	2
O-6	4,123	119	3,746	113	629	10	5,182	122
O-5	9,987	630	7,239	512	1,585	25	11,828	587
O-4	15,323	1,732	12,073	1,588	3,129	89	17,696	2,016
O-3	28,763	4,823	20,269	2,861	5,951	234	37,148	6,106
O-2	11,454	2,375	9,931	1,242	4,079	148	10,090	2,665
O-1	9,823	2,063	8,446	1,097	2,498	120	8,019	1,905
Warrant officers	14,811	453	2,742	38	1,463	69	0	0
Total officers	**94,680**	**12,197**	**64,700**	**7,453**	**19,403**	**696**	**90,294**	**13,403**
ENLISTEDS								
E-9	4,182	51	4,712	35	1,484	13	4,590	36
E-8	14,280	322	10,021	219	3,720	58	8,999	232
E-7	48,497	2,718	32,679	1,487	9,156	233	37,120	2,098
E-6	82,117	7,978	76,594	6,059	14,631	738	52.047	5,570
E-5	105,780	13,943	93,411	11,563	24,303	1,669	96,961	14,434
E-4	158,372	26,307	95,583	11,897	31,711	2,029	110,557	20,336
E-3	81,378	10,257	59,670	8,969	51,290	2,508	55,256	12,224
E-2	45,051	6,633	46,816	5,942	20,051	1,193	21,221	5,021
E-1	44,870	5,585	44,779	5,442	11,499	571	12,905	3,224
Total enlisteds	**584,527**	**73,794**	**464,265**	**51,633**	**167,845**	**9,012**	**399,656**	**63,175**
CADETS/MIDSHIPMEN	**4,040**	**503**	**4,169**	**432**	**0**	**0**	**3,827**	**525**
GRAND TOTAL	**683,247**	**86,494**	**533,134**	**59,518**	**187,248**	**9,708**	**493,777**	**77,103**

Rank	TOTAL DoD Male	TOTAL DoD Female	TOTAL DoD Total	COAST GUARD Male	COAST GUARD Female	TOTAL ALL SERVICES Male	TOTAL ALL SERVICES Female	TOTAL ALL SERVICES Total
OFFICERS								
O-7–O-10	1,050	7	1,057	27	0	1,077	9	1,084
O-6	13.680	364	14,044	351	0	14,031	364	14,395
O-5	30,639	1,754	32,393	669	3	31,308	1,757	33,065
O-4	48,221	5,425	53,646	974	18	49,195	5,443	54,638
O-3	92,131	14,024	106,155	1,649	94	93,780	14,118	107,898
O-2	35,554	6,430	41,984	865	88	36,419	6,518	42,937
O-1	28,786	5,185	33,971	488	69	29,274	5,254	34,528
Warrant officers	19,016	560	19,576	1,328	13	20,344	573	20,917
Total officers	**269,077**	**33,749**	**302,826**	**6,351**	**285**	**275,428**	**34,034**	**309,462**
ENLISTEDS								
E-9	14,968	135	15,103	282	0	15,250	135	15,385
E-8	37,020	831	37,851	554	1	37,574	832	38,406
E-7	127,452	6,536	133,988	2,669	50	130,121	6,586	136,707
E-6	225,389	20,345	245,734	5,429	286	230,818	20,631	251,449
E-5	320,455	41,609	362,064	5,450	459	325,905	42,068	367,973
E-4	396,223	60,569	456,792	5,982	718	402,205	61,287	463,492
E-3	247,594	33,978	281,572	3,759	419	251,353	34,397	285,750
E-2	133,139	18,789	151,928	2,668	309	135,807	19,098	154,905
E-1	114,053	14,822	128,875	221	25	114,274	14,847	129,121
Total enlisteds	**1,616,293**	**197,614**	**1,813,907**	**27,014**	**2,267**	**1,643,307**	**199,881**	**1,843,188**
CADETS/MIDSHIPMEN	**12,036**	**1,460**	**13,496**	**0**	**0**	**12,036**	**1,460**	**13,496**
GRAND TOTAL	**1,897,406**	**232,823**	**2,130,229**	**33,365**	**2,562**	**1,930,771**	**235,376**	**2,166,146**

DoD data as of Fiscal Year 1990. Coast Guard data as of July 24, 1990.

RESERVE FORCES IN PAID STATUS

ARMY RESERVE	
Officers	62,372
Enlisted	256,872
Total	**319,244**

ARMY NATIONAL GUARD	
Officers	50,112
Enlisted	406,848
Total	**456,960**

NAVAL RESERVE	
Officers	28,977
Enlisted	122,528
Total	**151,505**

MARINE CORPS RESERVE	
Officers	3,628
Enlisted	39,948
Total	**43,576**

AIR FORCE RESERVE	
Officers	17,088
Enlisted	66,126
Total	**83,214**

AIR NATIONAL GUARD	
Officers	14,081
Enlisted	101,980
Total	**116,061**

DoD RESERVES (Total)	
Officers	176,258
Enlisted	994,302
Total	**1,170,560**

COAST GUARD RESERVE*	
Officers	1,595
Enlisted	10,417
Total	**12,012**

TOTAL (All Services)	
Officers	177,853
Enlisted	1,004,719
Total	**1,182,572**

As of Fiscal Year 1990.

*The Coast Guard is part of the Department of Transportation.

SOURCE: DoD Directorate of Information, Operations and Reports

1990 ACTIVE DUTY MILITARY ANNUAL COMPENSATION	
Average military compensation	$32,115*
Regular military compensation	25,462
Basic pay	17,600
Basic allowance for quarters	2,989
Variable housing allowance	785
Station allowance overseas	278
Subsistence allowance	2,112
Federal income tax advantage	1,698
Special pays & consumption advantage	6,653
Special allowances	594
Special and incentive pays & bonuses	1,146
Commissary and exchange savings	575
Free/reduced cost medical & dental care	2,460
Retirement credit, current year's service	696
Social Security payments (government contributions)	1,182

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

SOURCE: Estimates based on DoD Personnel Budget for Fiscal Year 1990.

AVERAGE MILITARY COMPENSATION FOR THE PAST 10 YEARS

FY 1990	$32,115
FY 1989	30,855
FY 1988	29,438
FY 1987	28,416
FY 1986	27,682
FY 1985	26,915
FY 1984	25,902
FY 1983	24,656
FY 1982	23,538
FY 1981	20,546

SOURCE: DoD Military Personnel Budget for the years shown.

INCOME OF THE MILITARY COMMUNITY FY 1990

Active Duty Military		Retired Military		Reservists in Paid Status	
Total	$77.1		$60.2		$39.1
Military pay, allowances, benefits	$68.4	**Pensions**	$21.5	**Employment**	$25.9
Moonlighting and working spouses income	$8.7	**Second career jobs**	$28.1	**Working spouses income**	$6.8
		Working spouses income	$10.6	**Reservist training pay**	$6.4
Total income of the military community					$176.4 billion

$ in billions.

SOURCES: DoD Personnel Budget for Fiscal Year 1990 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

LARGEST SUPERMARKET CHAINS CY 1989

1 American Stores	$ 22.0
2 Kroger	18.8
3 Safeway	14.3
4 Super Value Stores	10.3
5 A & P	10.1
6 Winn-Dixie	9.2
7 Albertson's	6.8
8 Worldwide Commissaries	**5.7**
9 Vons	5.2
10 Domestic Commissaries	**4.7**

$ in billions.

Worldwide military commissary sales remained in 8th place while domestic commissaries lost their previous 9th place ranking to Vons and dropped to 10th place. Likewise, Kroger lost its first place ranking to American Stores and replaced American in second place.

Commissary sales include the 5 percent surcharge.

SOURCES: Sales of civilian supermarket chains were obtained from Standard and Poor's Corporate Descriptions On-Line. Military commissary sales are as reported by the headquarters offices of the various commissary systems.

COMBINED SALES FOR COMMISSARIES AND EXCHANGES

CY 1989	$15.199 billion
CY 1988	$14.467 billion
CY 1987	$13.705 billion
CY 1986	$12.660 billion
CY 1985	$12.155 billion
CY 1984	$12.068 billion
CY 1983	$11.789 billion
CY 1982	$11.354 billion
CY 1981	$10.640 billion
CY 1980	$9.863 billion

THE MARKET'S RETAIL SALES

COMMISSARIES
$5,657.9 million

37.2%

EXCHANGES*
$9,541.2 million

62.8%

TOTAL
$15,199.1 million

100.0%

* Includes sales by mail order catalog, concessions, food service, personal services, etc.

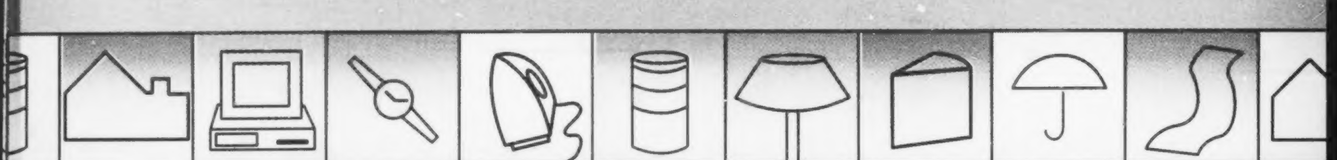
LARGEST DEPARTMENT STORE AND VARIETY CHAINS CY 1989

1 Sears	$ 31.6
2 K mart	27.3
3 Wal-Mart	25.1
4 J.C. Penney	16.1
5 May Department Stores	13.0
6 Dayton-Hudson	12.2
7 Federated Department Stores	11.2
8 Worldwide Military Exchanges	**9.5**
9 F.W. Woolworth	8.1
10 Domestic Military Exchanges	**6.0**

$ in billions.

Worldwide and domestic military exchange sales in 1989 maintained their previous rankings of 8th and 10th place, respectively. In fact, the only change in 1989 was the swapping of positions by Federated Department Stores and the Dayton-Hudson chain. Dayton-Hudson replaced Federated in 6th place, while Federated dropped to 7th place.

SOURCES: Sales of civilian department store chains were obtained from the following on-line computer data bases: Standard and Poor's Corporate Descriptions and Disclosures On-Line. Military exchange sales are as reported by the headquarters offices of the various exchange systems.



10-YEAR EXCHANGE SALES GROWTH

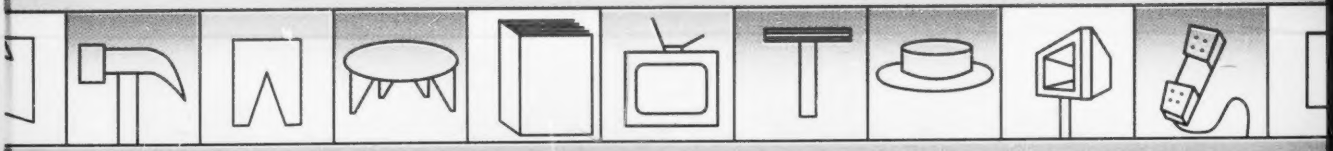
CY 1989	$9.541
CY 1988	$8.910
CY 1987	8.443
CY 1986	7.613
CY 1985	7.238
CY 1984	7.194
CY 1983	6.878
CY 1982	7.083
CY 1981	6.388
CY 1980	5.944

$ in billions.
SOURCE: Headquarters offices of exchange systems.

EXCHANGE SALES BY REGION CY 1989

System	Domestic	Percent of Total	Overseas	Percent of Sales	Worldwide	Percent of Total
AAFES	$3,900.0	65.1	$2,877.4	81.0	$6,777.4	71.0
Navy	1,334.1	22.3	552.1	15.5	1,886.2	19.8
Marine Corps	462.5	7.7	113.4	3.2	575.9	6.0
Coast Guard	112.5	1.9	9.1	0.3	121.6	1.3
VCS	180.2	3.0			180.2	1.9
TOTAL	**$5,989.2**	**100.0**	**$3,552.0**	**100.0**	**$9,541.2**	**100.0**

$ in millions



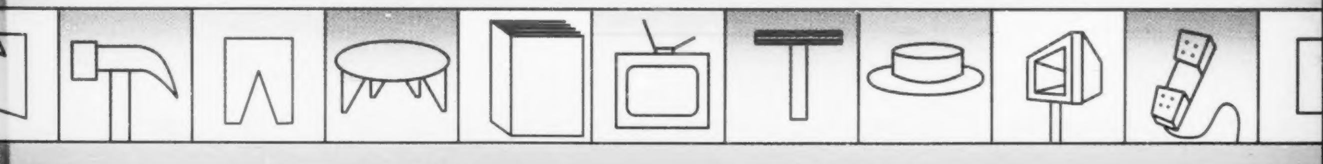
Exchanges

EXCHANGE RETAIL SALES BY DEPARTMENT AND BY AREA CY 1989

DEPARTMENT	CONUS	%	OVERSEAS	%	WORLDWIDE	%
Automotive accessories	$122,679,730	2.6	$65,950,420	2.3	$188,630,151	2.5
Gasoline/fuel[1]	372,312,068	8.0	173,775,677	6.1	546,087,745	7.3
Automotive labor[2]	23,976,008	0.5	8,073,021	0.3	32,049,029	0.4
Tobacco products, incl. vending	263,304,247	5.7	68,178,049	2.4	331,482,296	4.4
Military uniforms, incl. DPSC	259,252,243	5.6	82,698,057	2.9	341,950,300	4.6
Convenience foods, candy, snacks	256,089,265	5.5	207,491,172	7.3	463,580,437	6.2
Wine, wine coolers[3]	55,844,089	1.2	25,019,103	0.9	80,863,192	1.1
Beer and beverages[4]	212,697,730	4.6	87,087,767	3.1	299,785,497	4.0
Distilled spirits[5]	167,288,620	3.6	64,067,528	2.2	231,356,148	3.1
Carbonated beverages	52,999,316	1.1	71,462,098	2.5	124,461,414	1.7
Health & beauty aids (toiletries)	214,559,425	4.6	115,940,666	4.1	330,500,091	4.4
Cosmetics & fragrances	133,759,350	2.9	57,525,648	2.0	191,284,997	2.5
Jewelry, including precious jewelry	117,925,998	2.5	83,160,938	2.9	201,086,936	2.7
Watches	54,929,725	1.2	31,248,514	1.1	86,178,239	1.1
Stationery	70,534,634	1.5	24,643,354	0.9	95,177,988	1.3
Greeting cards	59,334,144	1.3	30,854,542	1.1	90,188,686	1.2
Books & periodicals	90,794,510	2.0	40,086,740	1.4	130,881,250	1.7
Men's outerwear	95,466,464	2.1	62,200,138	2.2	157,666,602	2.1
Men's furnishings	178,313,719	3.8	81,827,064	2.9	260,140,783	3.5
Women's outerwear	144,202,437	3.1	89,847,314	3.1	234,049,751	3.1
Women's furnishings	95,140,187	2.0	37,506,180	1.3	132,646,367	1.8
Boyswear	39,272,552	0.8	24,263,012	0.9	63,535,563	0.8
Girlswear	35,896,230	0.8	24,059,590	0.8	59,955,821	0.8
Infants & toddlers wear	51,432,658	1.1	33,034,607	1.2	84,467,265	1.1
Footware & family shoes	148,715,717	3.2	82,483,846	2.9	231,199,563	3.1
Linens & domestics	63,669,138	1.4	39,400,431	1.4	103,069,569	1.4
Yardage & sewing notions	6,543,072	0.1	14,196,480	0.5	20,739,552	0.3
Dinnerware & flatware	18,179,421	0.4	12,001,300	0.4	30,180,721	0.4
Kitchenware	45,980,294	1.0	27,036,039	0.9	73,016,333	1.0
Giftware	55,242,551	1.2	44,938,711	1.6	100,181,262	1.3
Cleaning supplies	58,198,596	1.3	32,047,381	1.1	90,245,978	1.2
Traffic & major appliances	94,832,840	2.0	71,208,438	2.5	166,041,278	2.2
Furniture & home furnishings	45,758,374	1.0	91,887,536	3.2	137,645,910	1.8
Hardware, garden, pet supplies	107,443,602	2.3	43,218,592	1.5	150,662,194	2.0
Luggage	33,750,009	0.7	13,767,284	0.5	47,517,293	0.6
Garden/patio furniture (outdoor)	106,084,935	2.3	22,734,239	0.8	128,819,174	1.7
Sporting goods	67,317,661	1.4	39,241,841	1.4	106,559,502	1.4
Photo finishing	23,558,442	0.5	7,538,453	0.3	31,096,895	0.4
Photography & optical[6]	73,259,906	1.6	52,694,420	1.8	125,954,326	1.7
Toys, games & bicycles	84,361,567	1.8	75,739,313	2.7	160,100,880	2.1
Computers & accessories[7]	64,671,679	1.4	64,024,744	2.2	128,696,422	1.7
Consumer electronics	305,134,726	6.6	407,481,021	14.3	712,615,747	9.5
Recorded sound & video	75,524,821	1.6	120,180,582	4.2	195,705,403	2.6
Video rental	1,690,685	0.0	1,951,884	0.1	3,642,569	0.0
TOTAL RETAIL[8]	**$4,647,923,386**	**100.0**	**$2,853,773,733**	**100.0**	**$7,501,697,118**	**100.0**

[1] AAFES Retail Department 2, and Navy Services Department J-3. [2] AAFES Retail Department 3, and Navy Services Department J-5. [3] AAFES Retail Department 22, and Navy Retail Department A-9. [4] AAFES Retail Department 23, and Navy Retail Department A-6. [5] AAFES Retail Department 25, and Navy Retail Department A-9. [6] AAFES Retail Department 93, and Navy Retail Department B-1, and Navy Services Dept. K-2. [7] AAFES Retail Department 96, and Navy Retail Department B-7. [8] With the exceptions indicated in footnotes, 1, 2, 3 and 5, the above totals do not include sales of food or services departments such as cafeterias, snack bars, beauty and barber shops, nor do they include concession sales. No vending sales are included, with the exceptions of tobacco and beverage vending, as noted above.

SOURCE: Research Department, Army Times Publishing Company.



Commissaries

10-YEAR COMMISSARY SALES GROWTH

CY 1989	$5.656
CY 1988	$5.557
CY 1987	5.262
CY 1986	5.047
CY 1985	4.918
CY 1984	4.874
CY 1983	4.705
CY 1982	4.476
CY 1981	4.251
CY 1980	3.919

$ in billions.

SOURCE: Headquarters offices of commissary systems.

COMMISSARY SALES BY REGION CY 1989

System	Domestic	Percent of Total	Overseas	Percent of Total	Worldwide	Percent of Total
Air Force	$2,047.0	44.3	$443.8	43.0%	$2,490.8	44.0
Army	1,570.3	33.9	425.6	41.2	1,995.9	35.3
Navy	830.2	17.9	91.6	8.9	921.8	16.3
Marine Corps	174.8	3.8	3.9	0.4	178.7	3.2
Coast Guard	3.4	0.1	3.9	0.4	7.3	0.1
State Department			63.5	6.2	63.5	1.1
TOTAL	$4,625.7	100.0	$1,032.3	100.0	$5,658.0	100.0

$ in millions

COMPARISON OF PERCENT SALES BY MAJOR DEPARTMENT COMMISSARIES VS. CIVILIAN SUPERMARKETS CY 1989

	Average Percent of Total Sales MEAT	Average Percent of Total Sales PRODUCE	Average Percent of Total Sales GROCERY
Army commissaries	13.7	4.7	81.6
Air Force commissaries	15.3	5.4	79.3
Navy commissaries	16.8	6.9	76.3
Marine Corps commissaries	16.1	6.1	77.8
Combined military commissaries	15.1	5.4	79.5
Civilian supermarkets	18.8	10.5	70.7

Surcharge has not been included in commissary sales. Therefore, military ratios are from cash register prices. No adjustment has been made for lower commissary price levels.

SOURCES: For commissaries, reports received from headquarters offices of the four military commissary systems shown. For supermarkets: "1990 Supermarket Sales Manual," *Progressive Grocer*, July 1990. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

A DOD STUDY OF MILITARY EXCHANGES

This is the second and final draft version of the executive summary of DoD's exchange consolidation report. It recommends that the three Defense Department exchange systems be consolidated, but warns that on-going changes in DoD and the world situation indicate that such a consolidation be done slowly. The executive summary condenses the recommendations that appear in the report's 12 chapters; more details on specific recommendations appear in the relevant chapters. ***Boldface italics have been added to highlight special topics.***

BASIS FOR SUBMISSION

This report on the Armed Services Exchange System is submitted in response to the request of the Honorable Marvin Leath (D-TX), Chairman of the Morale, Welfare and Recreation Panel, Subcommittee on Readiness, Committee on Armed Services, United States House of Representatives. The request to the Department of Defense was transmitted in a 22 January 1990 letter from Congressman Leath to Lieutenant General Donald W. Jones, Deputy Assistant Secretary of Defense (Military Manpower and Personnel Policy). Based on this request, Mr. [Donald J.] Atwood (Deputy Secretary of Defense) directed that a review of the military exchanges be conducted. This directive led to the formation of an exchange study group with representatives from each of the Armed Services, the Army and Air Force Exchange Service (AAFES), and the U.S. Coast Guard. Due to the limited time available to conduct the study, and the need for individuals sufficiently experienced and knowledgeable in exchange operations, the Services selected personnel from their exchange systems with extensive resale experience.

The study group prepared this macro, conceptional report with input from review and steering groups comprised of senior military and civilian leaders, a technical advisory group of exchange system commanders, functional experts from the exchange systems' staffs, installation commanders, the senior noncommissioned officers of the military services and exchange patrons. All cost and savings projections for the alternatives considered are based on estimates developed by the study group staff. All estimates are, however, considered conservative.

The report is organized into the following chapters:

- Chapter 1 summarizes the study report, gives the basis for submission and outlines the study group's overall assumptions, methodology, findings, conclusions, and final recommendations.
- Chapter 2 gives a history and evolution of the exchange systems, presents the current scope of operations and provides a description of each of the separate exchange systems.
- Chapter 3 analyzes current financial, business and organizational strategies of the exchange systems, explains current MWR distribution policies, and details estimated savings and one time implementation costs.
- Chapter 4 examines exchange procurement and inventory management functions and potential benefits through centralization.
- Chapter 5 reviews the existing distribution and transportation systems of the exchange systems and proposes organizational changes to increase efficiency.
- Chapter 6 examines current and projected management information systems utilized by the exchanges.
- Chapter 7 focuses on customer service, store and installation operating procedures and special exchange programs.
- Chapter 8 discusses the various food programs of each service, including the potential for increased service and earnings.
- Chapter 9 discusses the broad category of services operations and how each exchange system fulfills these requirements.
- Chapter 10 outlines options for operating design construction departments of the exchange systems more cost effectively.
- Chapter 11 discusses human resources program similarities and differences of each system and potential efficiences through cooperative actions.
- Chapter 12 examines the employee benefits programs of each system and the costs and impact of any proposed change.
- Finally, there are several appendices which provide additional data and a more detailed analysis of specific topics.

STUDY OBJECTIVE

The study mission was to provide an unconstrained baseline assessment of the Department of Defense Armed Forces exchange system with the objective of identifying increased efficiencies, reducing overhead costs and increasing savings in nonappropriated fund and appropriated fund revenues. Any recommended changes were to maintain the same or higher level of service to the customer with no increase in cost. All functional areas of the exchange systems were subject to review for efficiencies, with the review to include, but not be limited to, the feasibility of consolidating some or all functional areas.

THE EXCHANGE MISSION

Each of the exchange systems has a similar dual mission of providing patrons with merchandise and services necessary for their health, comfort and convenience, and of serving as a supplemental source of funding for military Moral, Welfare and Recreation (MWR) programs. The exchange [sic] located on military installations encompass a wide variety of resale activities, and compare favorably with commercial retail stores and shopping malls. Included in the list of exchange activities are retail, food and automotive outlets; personal services such as barber shops, beauty shops and laundry/dry cleaning; amusement and vending centers; Navy Lodges; and, in the case of AAFES, motion picture theaters. The exchanges serve as an important nonpay military benefit, providing vital services worldwide and saving the patron an average of 20% over outside prices.

The exchange systems are unique government organizations in that they operate almost entirely on revenues generated from the sale of goods and services. These sales dollars pay for civilian employee salaries, merchandise inventory investment, most distribution and utilities costs and capital expenditures for equipment, vehicles and facilities — in short, all the normal costs of doing business. Limited appropriated fund (tax dollar) support is received for paying some overseas transportation costs; utilities overseas and in designated isolated and remote areas; and common services such as fire and police protection.

Exchanges are an integral part of the military Services quality of life programs, providing on-base services as well as generating earnings to support MWR programs such as libraries, child care and youth centers, fitness programs and other vital quality of life programs.

FINDINGS

The review group soon determined that the current exchange systems are financially sound, serving their patrons well and making valuable contributions to the MWR program. However, with three separate exchange systems accomplishing the same basic mission, often within the same geographical area, there are duplications and redundancies in both overhead and operating costs. This is in no way meant to imply that any one of the systems

(Continued)

A DOD STUDY OF MILITARY EXCHANGES

is not pursuing actions to optimize their separate operation.

Yet, these are tumultuous times. So any immediate, systemwide consolidation taken simply to realize the anticipated savings identified in this study would involve significant risks and could adversely affect customer service, ongoing programs and exchange earnings, and ultimately support to MWR.

The exchange systems today are operating in a rapidly changing political environment and are absorbed in the process of adjusting to a variety of internal and external influences beyond their control. These factors are impacting on traditional methods of operation, and any attempt to project future savings on recent historical data must take them into account. In an unbelievably short span of time we've seen the Berlin Wall come down, action initiated and almost concluded for the reunification of Germany, political reforms instituted in the Soviet Union, the loosening of the Soviet grip on her member states, and an overall reduction in tensions between East and West. This has led to calls for massive cuts in defense spending which will be reflected in major force reductions and base closures. In a 19 June 1990 news briefing, Secretary of Defense [Richard D.] Cheney responded to a Congressional inquiry regarding the impact of a 25% force reduction — equal to approximately 442,000 military personnel. The most recent crisis in the Middle East may also influence future force structure and basing decisions.

The exchanges are also facing increased competition from outside retailers, which is expected to grow through niche formats, everyday low prices, warehouse/superstores and the movement of major competitors into sections of the country they did not previously operate. To remain competitive, the exchanges must stay abreast of and implement current retailing concepts such as electronic data interchange and rapid replenishment by suppliers.

Each of the separate exchange systems has responded to this changing environment by instituting actions to scale down and consolidate overhead operations and reduce costs to meet the challenge of significant reductions in the patron base. Within AAFES, project "Fresh Start" is well underway. This project will reduce and relocate the four major CONUS geographical headquarters elements to Dallas. Additionally, actions have been initiated in both Europe and the Pacific to reduce staffing to meet reduced support requirements due to changes in force levels. AAFES' automated management information and communication systems are being greatly expanded with a satellite communication network and installation level computers to support operations and decision making functions.

The Navy Resale System has begun steps to reduce costs by reducing the number of Field Support Offices (FSOs) and further centralizing some distribution and procurement functions. Additionally, the Navy Resale System is faced with the complicated process of divesting commissary operations and the associated organizational turmoil. The Navy also has a program to update and improve their management information system.

In the Marine Corps, the exchange and MWR activities were merged into a single organization barely a year ago. Any immediate exchange consolidation would require this organization to be split at a time when is both recovering from this action and is placing total concentration and effort on managing the eminent [sic] changes due to force structure adjustments.

Although the U.S. Coast Guard participated in this study, primarily in an observer status, no consideration was given nor analysis performed on including them in any consolidation of the Armed Services exchange systems.

ANALYSIS OF ALTERNATIVES

The study group considered and evaluated a number of alternatives, including continuation of separate systems (status quo), a variety of partial consolidation scenarios such as centralized support to separate systems and geographical responsibility by dominant system, operation as a government sponsored enterprise (GSE), and total consolidation. Since the partial consolidation scenarios were cumbersome, did not provide major savings and were not supported by the military Services, they are not presented here. These alternatives are, however, discussed in later chapters and could become a step in the movement to total consolidation if that course of action is selected. There appears to be no advantage in converting from a nonappropriated fund instrumentality to a GSE.

The major pros and cons of the two remaining alternatives, status quo and total consolidation, as identified by the study group, are summarized in Figure 1-1 at the end of this chapter.

CONCLUSIONS

Despite the complexity of this action, total consolidation of the three military exchanges is feasible and is the most cost effective alternative. There currently is, in fact, a consolidated exchange system in existence. AAFES serves both the Army and Air Force worldwide. ***While the study group can identify savings through further exchange consolidation, such action must be taken carefully over time due to force structure uncertanties [sic], with check points built in for review action before moving from phase to phase.***

Figure 1-2 presents a summary of projected savings and costs which could be realized through a total consolidation of the exchange systems. Net savings are expected to be $35 million annually. (The full impact of these savings would not be realized until the end of the implementation period.) One-time net implementation costs, projected to be $6.0 million, and the impact on personnel are also summarized in Figure 1-3. Chapter 3 gives a more detailed analysis and explanation of the savings and cost figures. ***It should be noted that the personnel impact of consolidation would be substantial and every effort should be made to reduce the affect [sic] on individuals, such as offering early retirement, placement services, etc.***

Since AAFES is the largest system (73% of total direct sales; 74% of employees) and has in place a worldwide, sophisticated infrastructure, it is only logical that any consolidation would be built around this infrastructure.

The basic methodology used as a starting point for determining costs and savings in each of the functional areas was as follows (using AAFES as the core organization):

- Identified common functions and eliminated the positions currently performing those functions at Navy and Marine Corps Headquarters, Regional and Local Levels.
- Based on a selected productivity measure, determined cost of adding additional people to the core organization (Total people required less those on hand at core organization).
- Net savings is the difference between total savings and added cost.
- Compute one-time implementation costs.
- Once this was determined, it was refined by comparing more closely the actual functions being performed by the personnel in each exchange system.

Conclusions relating to each of the major functional areas follow:

■ ***Financial/Business Strategy.*** Because of differences in accounting procedures, financial reporting, operating environments and other factors, comparison of financial indicators for the exchange systems is not an accurate measure of performance. However, all three systems are financially healthy, with profitability figures that generally exceed commercial industry averages. Each system provides patrons a savings of at least 20 percent overall, while continuing to generate funds to support MWR. A pro forma analysis (see chapter 3) indicates an increase in total earnings could be achieved if the exchange systems were consolidated. The accounting functions were specifically reviewed. Approximately $5.4 million could be realized from increased efficiencies gained by consolidating and centralizing the accounting functions.

■ ***Purchasing/Inventory Management.*** Efficiencies can be realized by consolidating the exchange services' buying and contracting functions. Consolidation of these functions into the existing AAFES infrastructure will eliminate the duplication

(Continued)

A DOD STUDY OF MILITARY EXCHANGES

that now exists. The AAFES system is capable of supporting the combined sales of the consolidated exchange system. It would require an incremental increase over current staffing levels of about 337 positions with wages, including fringe benefits, of about $9.8 million. Computed savings, within the purchasing area only, are projected to be 824 positions with salary of about $22 million.

■ ***Distribution/Transportation.*** Increased efficiencies would result from a consolidation of AAFES and NAVRESSO distribution centers in ConUS. The consolidated distribution system would have the capability of supporting the three current exchange systems. Consolidation of the Norton AFB (AAFES) replacement facility (with a project scope of $9.6 million, to be partially offset with base closure funds) and the NAVRESSOFSO San Diego distribution center at a cost effective location, or expansion of the San Diego facility, could not be accomplished before FY 93. Consolidation of exchange system management will also result in reduced overhead requirements at several overseas locations. Total annual savings from consolidation are estimated to be $9.7 million.

■ ***Management Information Systems.*** Consolidation of the three exchange systems into a single entity will require a worldwide communications and data processing capability. AAFES is the only exchange system with the existing MIS infrastructure that can support the many and varied businesses included in the exchange systems. Each part of the AAFES MIS infrastructure has been specifically designed to operate in every country with military presence. All MIS [components conform to the] applicable local laws, Status of Forces Agreements, U.S. military regulations and national/international communications protocols/equipment technical specifications. One-time costs of the MIS consolidation into the AAFES infrastructure is projected at $37.9 million, which would be offset by a MIS cost avoidance of $60.1 million, resulting in a net savings of $27.0 million [sic] over the projected costs of the three separate MIS support systems.

■ ***Operations Management.*** Even with differing retail store manning objectives and levels of management commitment, each exchange system is providing satisfactory customer service. To standardize store staffing levels under a total consolidation scenario, additional personnel costs of $13.3 million per year will be required. ***Other issues addressed include removal of current restrictions placed on mailing of promotional literature, and merchandise authorized for sale. Also, the sale of nonessential items in the commissaries must be addressed due to the impact of these sales on the exchanges' ability to generate funds for MWR.***

■ ***Food Operations.*** Total sales, profits and customer service would be enchanced by consolidation into a single system. Such an action would result in a one-time cost avoidance of $1.8 million for development of separate in-house food concepts. The proven AAFES food programs, modern information and management systems and worldwide organizational infrastructure dictate this system should be used as the core for a consolidated organization.

■ ***Services Operations.*** Services operations, such as barber and beauty shops, laundry and dry cleaning, tailor shops, automotive services, flower shops, electronic repair, tax preparation, optical, photo and film developing shops, etc., would generally continue to operate under consolidation as they do now. Although broad policies and procedures govern their operation, these activities are established and organized to meet local requirements and may be either direct (exchange operated) or concession (contractor operated) based on the situation. Annual savings of $0.3 million are possible through consolidation and reduction of headquarters staffs.

■ ***Design and construction.*** Centralized design and construction would be cost effective and increase efficiencies whether the exchange systems are consolidated or not. The AAFES organization has this capability. Projected savings are $2.9 million per year under total consolidation.

■ ***Personnel.*** A number of individual and collective improvements were identified in human resources programs. If consolidation occurs, they could result in new personnel programs which may be better able to attract, retain, compensate and reward employees.

■ ***Employee Benefits.*** Due to the number of variables present in the three systems and uncertainty over the design of successor plans for welfare benefits and retirement, a reasonable projection of costs/savings could not be estimated at this time. The only cost readily identifiable would be movement of Marine Corps and Navy Resale UA-13s and above would be movement of Marine Corps and Navy Resale UA-13s and above [sic] into the equivalent of the AAFES EMP supplemental deferred compensation benefit plan, the cost of which is estimated at $0.6 million annually.

During the course of this study, there were inferences by some Navy, Marine Corps and AAFES individuals that in the event of consolidation, AAFES initiatives would remain in place while initiatives of the other exchange systems would be lost. These perceptions are wrong. Each system has good ideas and, in the event of consolidation, the new organization would be expected to evaluate these ongoing initiatives and take the best from each system.

It should be noted that this is not the first study of the military exchange systems. A previous study, conducted for DoD by the Logistics Management Institute in July 1968, arrived at basically the same conclusions — consolidating the exchanges would eliminate redundancy and result in significant cost savings. That study recommended the exchanges be consolidated. The study noted that multiservice exchange operations worked well in Vietnam where AAFES provided support to all Services and they are working well on a much smaller scale in various other parts of the world today, such as in Okinawa, where AAFES exchanges support all services.

Given the complexity of the merger and the uncertaintities of the future, a phased approach should be adopted. Each exchange system is in the process of implementing critical phasedown actions to meet anticipated force reductions and base closures, and these independent efforts should continue as planned, but coordinated among the Services. Managing these changes, while at the same time attempting to consolidate into a single exchange system, would compound problems currently being addressed and increase the risk of adversely affecting customer service and earnings.

There are, however, potential savings from cooperative efforts that could be instituted immediately, as possibly the first step toward consolidation, which would result in savings and increased efficiencies within the overall exchange system. Additionally, such cooperative actions would begin to create the rapport, trust and working relationships needed to move to the total consolidation mode. Examples of such cooperative efforts, further discussed in the individual study chapters, include:

- Facility design and construction.
- Centralized distribution of specialized merchandise such as pre-recorded music and fine jewelry.
- Consolidated development and procurement of in store electronic point of sale systems and other ADP equipment.
- Transfer of operational support for exchanges based on the dominant system within a geographical area.
- Consolidated European purchasing.
- Quality assurance lab inspections.
- Shared in-house fast food concepts.
- Cross stocking of private label merchandise.

Due to the direct and close relationship between exchange and MWR programs, and the unique quality of life aspects of the exchanges, it is vital that the military Services continue to have direct control over the exchange system. This could best be accomplished through a joint board of directors, with a chairperson that rotates between the Army, Navy and Air Force, and full representation from each Service. Recommendations regarding the composition and responsibilities of such a board along with a proposed organizational chart are attached in Figure 1-3.

(Continued)

A DOD STUDY OF MILITARY EXCHANGES

The exchanges are "cooperatives." Ownership belongs to its [sic] customers, not a "government agency." The Board represents the customer base: soldiers, sailors, marines and airmen. The Board is a caretaker of the servicemember's monies, revenues earned by the military exchanges, and, as such, has a fiduciary responsibility for the servicemember's investment. It is the servicemember's money, not taxpayer money, to be distributed as dividends to the services.

The Board, as a responsible military governing body, must report through the respective Chiefs to the Services' Secretaries, not through a separate government agency. This is in keeping with the role of the military exchanges and the Command's role to maintain and provide for the Morale, Welfare and Recreation of the servicemember.

One of the major concerns of the Services during this study was the impact of consolidation on earnings and the availability of funding for MWR programs. The pro forma analysis in Chapter 3 indicates earnings would increase under consolidation, but a new dividend distribution poloicy would be necessary to ensure balance between support to MWR and exchange reinvestment and also consideration of existing assets of each Service. Any distribution method developed by the Board of Directors should consider ways to provide incentives for installation Commanders, to increase total exchange profits and avoid unnecessary competition with MWR.

The Navy Lodge Program, Navy Clothing and Textile Research Facility and Navy Ships Stores Afloat Program are unique entities to the NAVRESSO resale organization. These programs are vital elements of the Navy's quality of Life and shipboard MWR initiatives. They should be transferred internally within the Navy. Additionally, only traditional exchange functions from the combined Marine Corps exchange organization should become part of the consolidation.

The major savings from consolidation result from merging and reducing overhead staffs; centralizing procurement, accounting and construction functions; and eliminating duplicative warehouse and distribution activities. Very little change would be visible at the store operating level, with very little impact on customer service. In fact, by taking the best programs of each system, [patron support should improve. Service identity of the exchanges] could be retained through signing or other actions, similar to what is currently done with the Army "PX" and Air Force "BX" under AAFES. Furthermore, there is no reason to believe local exchanges would not continue to be responsive to, and support, the desires of local commanders.

RECOMMENDATION

The study group recommends that the military exchange systems be consolidated into a single organization in order to eliminate current redundancies, improve operational efficiencies and achieve projected annual savings from consolidation of $35 million plus a $9.6 million future reduction to Navy and Marine Corps Store staffing from implementation of the AAFES Store Automation Program (ASAP). The following elements should be included in the implementation plan for the consolidated exchange system:

■ A Joint Exchange Consolidation Task Force should be established to prepare and execute necessary implementing plans and documents; to review and coordinate major Service initiatives during the implementation period, ensuring they are in consonance with the consolidation effort; and monitor the completion of required actions.

The task force would be responsible for overall consolidation planning and execution. It should be made up of senior functional area representatives, detailed from each exchange system, and assisted as necessary by additional staffing on a temporary basis. The first objective of the task force would be to develop a comprehensive implementation plan addressing impact, interface and required actions in each functional area, thus providing the blueprint for the future. In addition to functional area interfaces, the plan shoud also include:

- Proposed structure for the new exchange system, staffing requirements and command and control relationships.
- Procedures for a review of Service initiatives to assure they complement the consolidation process.
- Milestones and time frames for accomplishing identified tasks.
- Checkpoints for review and evaluation of conslidation [sic] progress to confirm proper direction prior to moving from one phase to the next.
- Programs and open communications lines to educate and assist employees.
- Requirements for changes in regulations and other regulatory documents.
- Identification of a test site to validate implementation procedures.

■ Early implementation of cooperative efforts discussed herein, such as consolidated MIS procurement, centralized design and construction, centralized distribution of specialized merchandise, etc., should be to achieve initial savings and establish interface between the systems. Many of these offer substantial benefits, and could be implemented independent of any action on this study's recommendation. Besides the potential benefits from these programs, they would provide another mechanism for communications and cooperation between the existing exchange systems.

■ A review should be conducted at each implementation phase to ensure the correct course is being followed and projected benefits can be achieved.

■ A Board of Directors representing all Services, and responsible to the Service Secretaries, should be established to govern the consolidated exchange system and to manage and control what is, in effect, the servicemember's money and quality of life vehicle. This board would initially serve as an Exchange Consolidation Oversight Committee to guide the consolidation process. Since this board will become the governing body of the new consolidated exchange system, serving as the oversight committee will facilitate the transition to the consolidated organization and assumption of its responsibilities. Furthermore, interface with existing exchange boards will be facilitated since most consolidated board members are also directors of their respective exchange systems.

In addition to the major recommendation presented here, each functional chapter which follows has additional recommendations which, when implemented, will result in increased efficiencies, reduced costs and better customer service.

CLOSING

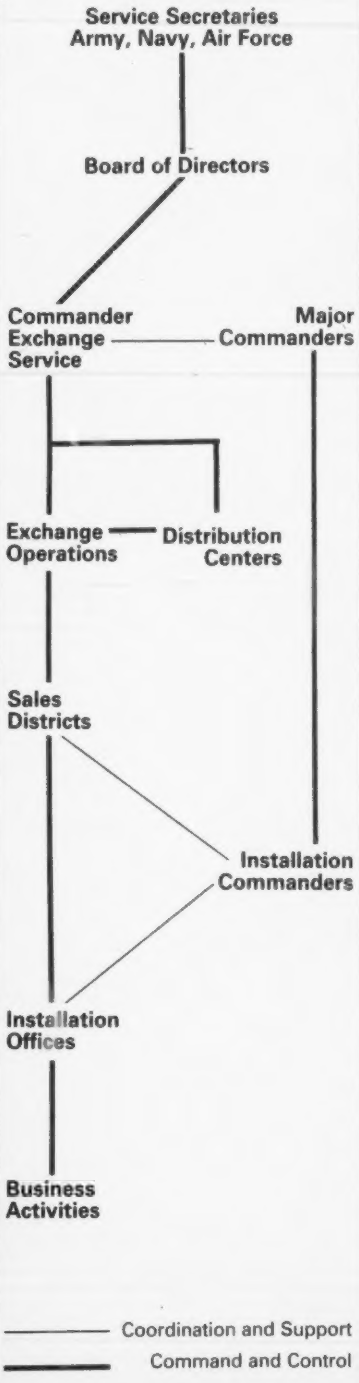
As stated earlier in this chapter, ***there are many uncertainties facing the exchange systems and any rash action regarding consolidation should be avoided. It is the opinion of this study group that, upon approval of the recommendation to consolidate the exchange systems, adequate time must be afforded for the development of a detailed plan prior to implementation. It would take two to three years beyond the actual implementation date before all implementating actions could be realized. A measured logical, methodical approach must be taken to minimize disruption to the existing work force and service to patrons.***

For the transition to a new Joint Service Exchange Instrumentality to be successful, the support and commitment of all affected parties is essential. This commitment, which must be clearly communicated throughout each exchange system, should emphasize the overall benefits of such a consolidation to both employees and customers. Without total support, the transition could be plagued by serious problems which might adversely affect customer service and earnings.

■ Please turn to charts, page 86

A DOD STUDY OF MILITARY EXCHANGES

Recommended Organizational Structure Consolidated Exchange System


Service Secretaries
Army, Navy, Air Force
Board of Directors
Commander Exchange Service
Major Commanders
Exchange Operations
Distribution Centers
Sales Districts
Installation Commanders
Installation Offices
Business Activities
Coordination and Support
Command and Control

PERSONNEL IMPACT

	UA	HPP
Positions Affected	1,348	2,285
Relocate/Locally Place	379	589
Early Retirement	270	58
Reduction Action	699	1,638
New Organization HQ Requirement	380	300
Store Augmentation Requirement	*	*

**Not identified by number or category of personnel; estimated annual personnel cost, $13.3 million.*

UA — Universal Annual
HPP — Hourly Paid Person

ONE-TIME COST/BENEFIT (IMPLEMENTATION)

Items	Cost	Cost Avoidance
Personnel Relocation/ Severance Costs	$21.01M	
Training	$13.42M	
Other	.41M	$ 1.80M
Management Information System	$37.87M	$60.10M
TOTAL	$72.71M	$61.90M
NET COST	$10.81M	

COST/BENEFIT ANALYSIS*

Item	Savings (Cost Avoidance)	Additional Cost
Current costs of HQ, distribution, accounting & buying function to be deleted	$115.78M	
Augmentation of HQ, distribution, accounting & buying positions under consolidation		$77.75M
Other Economics	$ 9.26M	
Other Costs		$ 3.67M
TOTALS	$125.64M	$81.42M
New Initiatives Under Status Quo	$ 9.10M	
Net Annual Impact of Consolidation	$34.6 M	
Navy & MARCORPS Store Reductions Resulting from ASAP	$ 9.6 M	

**Cost/benefits stated in relationship to FY '89 operations.*

Market Report

Military Smokers are Turning to The Value-Priced Trend

By Michelle Zelsman, Associate Editor

Despite the U.S. trend toward a smokeless society, people in the tobacco industry know that there will always be smokers.

But many military smokers don't want to pay the money that full price cigarettes demand. Consequently, value priced cigarettes do proportionately better in the military than they do in the civilian market.

Brennan Dawson, vice president of public affairs for the Tobacco Institute, says that cigarettes account for over 95 percent of all tobacco sales. And, because "brands taste as different as Coke and Pepsi," only 10 percent of smokers switch to another brand each year.

New brands and brand extensions are the best avenues available for manufacturers to grow, says Dawson. But, even though generic or value priced smokes are successful, analyst John Maxwell of Wheat First Securities told MILITARY MARKET that they account for only 18 percent of the total market.

Irv Otte, director of military and vending sales for Brown & Williamson, says that in the military market, value priced smokes are holding up tobacco industry sales.

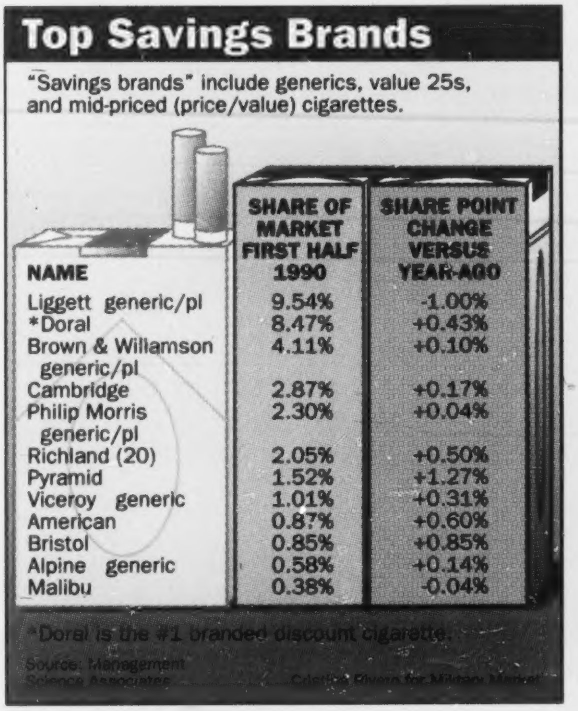
Although Otte says he wouldn't call the price situation a war, he does admit that tobacco companies are using value priced cigarettes to get smokers into their own camps.

Generally, smokers are brand loyal. But the military smoker is a little different, says Otte. "They are more interested in price," he says, adding that when costs go up on full priced cigarettes, "customers [switch] down and smoke more" of the cheaper smokes.

PRICE CAN BE A SMOKER'S BOTTOM LINE

One industry source, who asked not to be identified, says that sales of price value cigarettes continue to grow in the military because the smokers who are retired live on fixed incomes. While these retirees still want to smoke, they can't afford to pay the price hikes which come from federal excise taxes and industry price increases.

Dean Weller, tobacco buyer for the Army and Air Force Exchange Service, says that the price of cigarettes is "too far out of sight." He points out that, even though it is more economical to buy cigarettes by the carton, 50 percent to 65 percent of exchange cigarette sales come from single pack sales.



Top Savings Brands

"Savings brands" include generics, value 25s, and mid-priced (price/value) cigarettes.

NAME	SHARE OF MARKET FIRST HALF 1990	SHARE POINT CHANGE VERSUS YEAR-AGO
Liggett generic/pl	9.54%	-1.00%
*Doral	8.47%	+0.43%
Brown & Willamson generic/pl	4.11%	+0.10%
Cambridge	2.87%	+0.17%
Philip Morris generic/pl	2.30%	+0.04%
Richland (20)	2.05%	+0.50%
Pyramid	1.52%	+1.27%
Viceroy generic	1.01%	+0.31%
American	0.87%	+0.60%
Bristol	0.85%	+0.85%
Alpine generic	0.58%	+0.14%
Malibu	0.38%	-0.04%

*Doral is the #1 branded discount cigarette.

Source: Management Science Associates

Cristina Rivero for Military Market

"It's easier [on the pocket] to buy one [pack] at a time," says Weller.

Although tax increases play a role in the cost of tobacco, Weller says that the industry has probably been more at fault for jacking up the price "to keep the industry going." As unit sales decline, "dollar sales go up," because so do the costs, says Weller.

When a tobacco manufacturer offers a $3-off coupon for immediate redemption on a value priced carton of cigarettes, Weller says that the brand loyal smoker might make a one time purchase for the cheaper smokes. But usually the smoker will switch back to the old brand the next time they make a purchase.

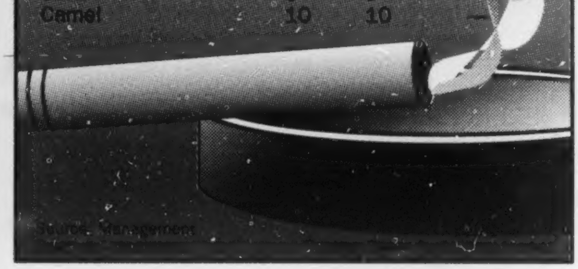
For the most part, smokers stay with the brand they know and like. He points out that Philip Morris' Marlboro,

> *"Once consumers are taught to buy on price, not image, there's no going back."*

Top 10 Military Brands

Brands are "families," including all flavor/size variations under a single name.

NAME	RANK 1990	RANK 1989	CHANGE
Marlboro	1	1	—
Brown & Wiliamson (generic/pl)	2	4	+2
Winston	3	2	-1
Salem	4	3	-1
Newport	5	6	+1
Liggett (generic/pl)	6	5	-1
Kool	7	7	—
Benson & Hedges	8	8	—
Doral	9	9	—
Camel	10	10	—



Source: Management

which is the No. 1 cigarette sold in exchanges, has consistently remained on top. "Smokers must like something about it [Marlboro], regardless of its price."

However, the growth of value priced cigarettes, which cost "half as much" as the full priced brands, according to Weller, may be an indication that there is a "shakeout of the cigarette industry."

It may prove to be more than an indication. *The Wall Street Journal* reported in September that RJR Nabisco will introduce its Sterling brand of budget cigarettes, which runs the risk of competing directly with RJR's own full-priced, more profitable brands.

However, Peggy Carter, an RJR spokeswoman, defines the Sterling brand as a premium cigarette that will have a permanent on-carton coupon. The target market is that niche of smokers who are "interested in the premium brands, but who have already decided they won't pay full price." RJR, she says, is committed to its full priced brands and "wouldn't do anything it thought would erode those brands." But, says Carter, Sterling "offers an alternative."

The *Journal* article went on to say that industry insiders are concerned, because "once consumers are taught to buy on price, not image, there's no going back."

THE ANTI-SMOKING TREND

Weller predicts that as smoking restrictions become more prevalent on military bases, the volume of tobacco sales will continue to fall at a rate of about 5 percent per year — which has been AAFES' experience.

Some elements in the military are actively discouraging smoking. For instance, the Strategic Air Command aims for a smoke-free service by the year 2000, notes Weller. He has already seen other evidence of this on some installations where smoking is not allowed in on-base buildings. In other places, smoking is not allowed in the local officers club or within 50 feet of it.

NAVRESSO's self-imposed ban on the sale of tobacco products in commissaries will remain "as long as it is under control of the Navy," says agency spokesman John Russas. Once the commissary agencies merge in October 1991 the new Defense Commissary Agency will have to decide whether cigarettes will be allowed to be sold in commissaries.

Russas says cigarettes are sold in only Navy exchanges because the wholesale prices at which they are sold in commissaries are "too attractive" and therefore promote smoking. Also, as with the other services, the exchanges' morale, welfare and recreation mission benefits from the profits that cigarettes bring. For example, said Russas, in 1989, of the $80 million NAVRESSO generated in cigarette sales, $20 million was given back to the service's MWR programs.

Tobacco manufacturers walk a very fine line in their marketing strategies. The Tobacco Institute's Dawson says that, because there are "always those [people who will be] offended by smoking," the industry markets only to those who are interested in purchasing its products.

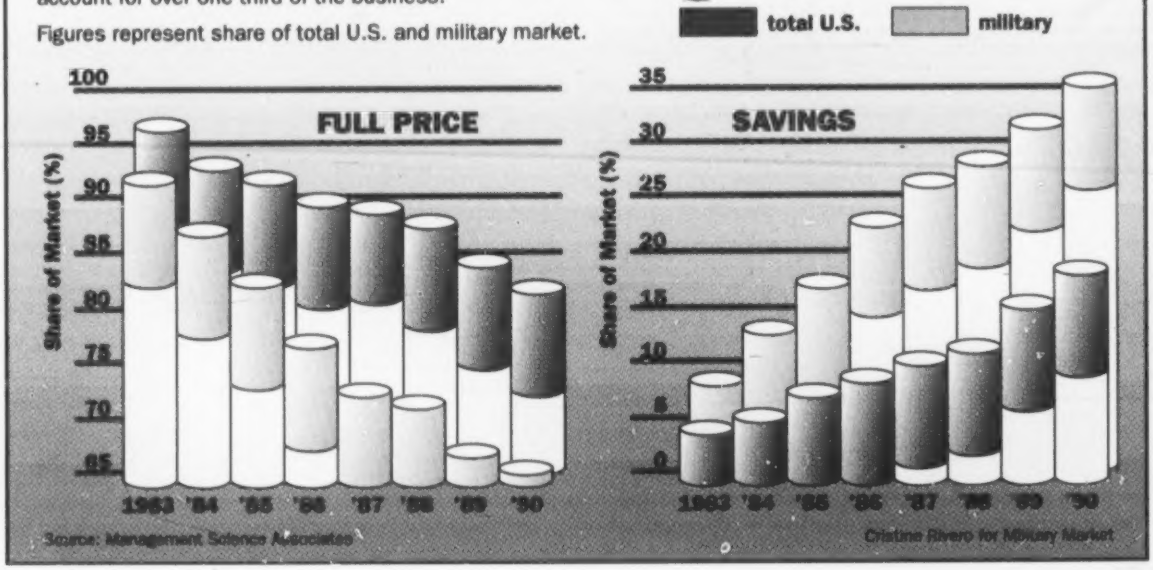
But with legislation pending in Congress that would further restrict tobacco advertising, the industry is watching closely as it plans its strategy. Dawson says that the issue is "very emotional" and that it hinges on constitutional rights.

(Continued, page 110)

Full Priced Brands Versus Savings Brands

All of the growth in the military cigarette market in recent years has been in the savings segment. Saving brands have has grown at a much faster rate than the total domestic market and now account for over one third of the business.

Figures represent share of total U.S. and military market.



Source: Management Science Associates

Cristine Rivero for Military Market

(Continued from page 109)

Most industry people are doubtful that the legislation will ever become law. But if it did, tobacco advertising would be limited to a simple black and white format, similar to the all-type advertising of Wall Street securities. Wheat First's John Maxwell, a leading analyst of the tobacco industry, says that if the proposed restrictions are put into action, the current market for tobacco products would freeze in place, with no growth possibility for the future.

He also says that companies are moving away from "measured media" like magazines, newspapers and TV, and using more coupons, which is practically the only marketing activity that is allowed in the military.

Regardless of the problems associated with marketing tobacco, it's still considered an essential when American servicemembers deploy overseas. As troops continue to be deployed to Saudi Arabia, Weller says that "big quantities" of cigarettes are being shipped for sale in AAFES mobile exchanges.

Other tobacco items AAFES is sending are cigars, chewing tobacco and large quantities of snuff.

While smoking restrictions vary by installation, the volume of snuff that is sold is growing in terms of both units and dollars. AAFES' Dean Weller says that AAFES sells ten times more snuff than it does chewing tobacco.

Sales of the finely ground tobacco product are growing because snuff fulfills a user's nicotine need without violating local smoking restrictions. And, unlike chewing tobacco, snuff doesn't create a juice, so there is no spitting involved. On top of all that, snuff also appeals to women because it can be used discreetly. MM